The Good, the Bad, and the Ugly

Job Quality in the United States over the Three Most Recent Business Cycles

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Executive Summary

This report looks at the evolution of "good jobs" over the last three business cycles (one each in the 1980s, 1990s, and 2000s), where a "good job" is defined as one that pays at least $17 per hour (the inflation-adjusted median male earnings in 1979) and offers employer-provided health insurance and a pension.

A review of annual data from the March Current Population Survey covering the years 1979 through 2006 finds that the 2000s business cycle underway (2000-2006) has consistently under-performed comparable periods during the preceding two cycles (1979-1985 and 1989-1995).

Major findings include:

- Over the current business cycle, the share of "good jobs" fell substantially (2.3 percentage points), following much smaller drops over the same period in the 1980s (down 0.5 percentage points) and 1990s (down 0.1 percentage points) business cycles.

- The deterioration in good jobs in the 2000s business cycle has been particularly sharp for men -- down 4.4 percentage points, compared to a 3.4 percentage-point decline in the 1980s and a 1.9 percentage-point drop in the 1990s.

- Over the 2000s business-cycle to date, the share of women in good jobs fell (down 0.2 percentage points), reversing the solid positive trends over comparable periods in the preceding two business cycles (up 3.3 percentage points in the 1980s cycle and 2.0 percentage points in the 1990s cycle).

- The 2000s cycle has done relatively well when it comes to increases in the share of jobs that pay at least $17 per hour (up 0.6 percentage points overall between 2000 and 2006). The share of jobs paying at least $17 per hour, by contrast, was essentially flat in 1980s (up 0.1 percentage point) and fell slightly in the 1990s (down 0.2 percentage points).

- The driving force behind the decline in the share of good jobs in the 2000s is the sharp deterioration in employer-provided health insurance (down 3.1 percentage points) and employer-sponsored pension and retirement-savings plans (down 4.9 percentage points).

- The fall off in health and pension benefits has been sharper in the 2000s than it was over comparable periods in the earlier two decades. Health insurance coverage declined 3.1 percentage points in the 2000s, compared to a 0.7 percentage-points drop over a comparable period in the 1980s and a 1.5 percentage-points fall in the 1990s.

- Pension coverage trends have also been worse in the current decade (down 4.9 percentage points) than they were over corresponding periods in earlier cycles (down 3.1 percentage points in the 1980s and up 1.6 percentage points in the 1990s).

Introduction

Defining a good job is not easy. At a minimum, a good job pays well. In the United States, which does not offer universal health care and provides only modest government pensions to retirees (through Social Security), a good job also offers health-insurance coverage and some type of pension plan. Arguably, a truly good job provides other benefits, including paid vacation, paid holidays, paid sick leave, paid family leave, a safe and healthy workplace, and at least some degree of employment security.

Economists generally expect that as the economy grows --in the long-term or over the course of a business cycle -- so too will its capacity to generate good jobs.[1] In earlier research, we have demonstrated that, despite an almost 70 percent increase between the late 1970s and the mid-2000s in the gross domestic product per person, the share of "good jobs" -- defined as paying at least $17 per hour (the inflation-adjusted median male wage in 1979) and offering both health insurance and a pension -- has remained basically unchanged.[2] In this report, we turn our attention, instead, to how the share of "good jobs" has evolved over the three most recent business cycles, one each in the 1980s, 1990s, and 2000s.

Our review of the data demonstrates that trends in job quality have generally been worse over the current (incomplete) business cycle than they were over comparable periods in the two preceding business cycles.[3] Specifically, we find that in the 2000s, the share of "good jobs" fell substantially (down 2.3 percentage points). The recent decline follows a smaller drop over a comparable period in the 1980s cycle (down 0.5 percentage points) and basically no change in the good-jobs' share over the corresponding portion of the 1990s cycle (down 0.1 percentage points).

The deterioration in good jobs in the 2000s has been particularly sharp for men -- down 4.4 percentage points, compared to a 3.4 percentage-point decline in the 1980s and a 1.9 percentage-point fall in the 1990s.

For women, the share of good jobs fell only 0.2 percentage-point in the 2000s, but this reversed the trend in earlier cycles: in the 1980s, the share of women in good jobs rose 3.3 percentage points; in the 1990s, the proportion increased 2.0 percentage points. Despite women's gains relative to men over the last three decades, women are still much less likely to be in a "good job" (18.7 percent) than men are (27.2 percent).

We also find that the current cycle compares poorly to preceding cycles when it comes to changes in the share of "bad jobs" (a job that pays less than $17 per hour, has no health insurance, and no

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1 See, for example, recent testimony from the current chair of the Council of Economic Advisors, Ed Lazear, who argues that over the long term there is a "...very strong correlation between productivity increases and improvements in real hourly compensation." (September 28, 2006; http://www.whitehouse.gov/cea/lazear20060928.html) Lazear has also declared that over the business cycle: "...wage growth tends to lag productivity growth during the early stages of an economic expansion. As the expansion progresses, wages tend to catch up to productivity growth and eventually the growth rate of wages exceeds that of productivity." (May 2, 2006; http://www.whitehouse.gov/cea/lazear20060502.html)

2 See Schmitt (2005) "How Good is the Economy at Creating Good Jobs?", available online at: http://www.cepr.net/documents/publications/labor_markets_2005_10.pdf, which examines long-run trends for 1979-2004; and Schmitt (forthcoming) "Measuring Good and Bad Jobs in the US Economy," which covers the period 1979-2005.

3 Since we are interested in labor-market performance, we define cyclical peaks as the trough in the unemployment rate (1979, 1989, and 2000). To put the current incomplete cycle on an equal footing with the earlier cycles, all comparisons here use 1979-1985, 1989-1995, and 2000-2006.

pension). Between 2000 and 2006, the share of U.S. workers in bad jobs increased 1.6 percentage points, slightly better than the performance during the 1980s cycle, when bad jobs rose 1.8 percentage points, but lagging behind the experience of the 1990s cycle, when bad jobs fell slightly (down 0.3 percentage points).

To gauge job quality we use two simple measures. We define a "good job" as one that (1) pays at least $17 per hour (roughly $34,000 per year in inflation-adjusted 2006 dollars); (2) has employer-provided health insurance for which the employer pays at least part of the premium; *and* (3) has an employer-sponsored pension or retirement savings plan (including 401(k) type plans) in which the worker currently participates. Similarly, we define a "bad job" as one that (1) pays less than $17 per hour in inflation-adjusted terms; (2) has no employer-provided health insurance (or has health insurance, but the employer does not make a contribution toward benefits); *and* (3) has no employer-sponsored pension or retirement savings plan (or the employee is not participating in the plan if one exists). Our choice of definitions reflects our desire to choose a set of meaningful, but fixed characteristics that we can track on a consistent basis over the full period from 1979 to the present. We discuss these choices and their limitations in detail below.

One advantage of our "good" and "bad" job indicators is that we can analyze the behavior of wages, health insurance, and pension coverage separately. A closer look at the components reveals that the 2000s cycle has actually done relatively well when it comes to increases in the share of jobs that pay at least $17 per hour (up 0.6 percentage points overall between 2000 and 2006). In fact, the 2000s cycle outperforms both earlier cycles when it comes to changes in the share of jobs paying at least $17 per hour: the share was essentially flat in 1980s (up 0.1 percentage point) and down slightly in the 1990s (down 0.2 percentage points).

The steady drop in "good jobs" in the 2000s, instead, reflects steep declines in the share of workers in jobs with employer-provided health insurance (down 3.1 percentage points) and employer-sponsored pension and retirement-savings plans (down 4.9 percentage points). The fall in benefits has been sharper in this decade than it was over comparable periods in the 1980s and 1990s. Our measure of health insurance coverage declined more sharply in the 2000s (down 3.1 percentage points) than it did over corresponding periods in the 1980s cycle (down 0.7 percentage points) or the 1990s cycle (down 1.5 percentage points). Pension-coverage trends have also been worse in the current decade (down 4.9 percentage points) than they were over corresponding periods in earlier cycles (down 3.1 percentage points in the 1980s and up 1.6 percentage points in the 1990s).

Defining Good Jobs and Bad Jobs

A reasonable definition of a "good job" must satisfy technically-minded economists and yet still have resonance with more practically-minded policymakers, employers, and employees themselves. If we want to trace the development of good jobs over time, then the definition must also build on the specific labor-market information that is available in large, nationally representative data sets such as the Current Population Survey (CPS, the source of official monthly data on the national unemployment rate, as well as many other indicators of the state of the labor market).

Given these constraints, this analysis uses a simple definition of a good job, based on three job characteristics: pay, health insurance, and pension benefits.[4] Of course, these are not the only factors that would enter into a complete determination of whether a particular job qualifies as "good." Other important job features would include the work schedule, the amount of paid vacation, sick, parental and other forms of leave, the degree of job security, the level of on-the-job health and safety protections, the availability of family-friendly policies, and many others. Unfortunately, available labor-market data do not allow for a consistent analysis over time of any of these important aspects of job quality. The rest of this section lays out the specifics of the working definition of a good job used here, and discusses some of the practical issues involved in using the March Current Population Survey data to measure job quality.[5]

Hourly Earnings

To qualify as a "good" job in this analysis, a job must pay at least $17 per hour, or about $34,000 on an annual basis.[6] That pay rate --which is set in inflation-adjusted 2006 dollars-- corresponds to the median hourly pay for men in 1979. In practice, then, a good job must pay at least as much, in inflation-adjusted terms, as the typical male earned at the end of the 1970s.[7]

To estimate workers' hourly earnings in the calendar year before each March CPS, we divide workers' reported annual earnings from work by their estimated annual hours at work. To estimate annual hours at work, we multiply their total number of weeks worked during the year by their reported usual hours of hours worked per week. If the resulting estimated hourly wage is $17 per hour or higher, then the worker's job meets the pay cutoff for a good job.

Health Insurance

A "good" job must also offer employer-provided[8] health insurance, paid at least in part by the employer. For the calendar years 1979 through 2006, the March CPS asked, in a consistent manner, whether an individual was covered by an employer-provided health insurance plan and, if so, whether the employer paid all, part, or none of the premiums for that plan. While the March CPS

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[4] The approach here builds on a suggestion first made by Katherine McFate. Schmitt (2005) and Schmitt (forthcoming) use the same definitions (and a different emphasis) to analyze earlier CPS data.

[5] The March CPS is the main national source of family income, poverty, and health insurance coverage data. The survey includes information on individuals' income from work, employer-provided health insurance coverage, and participation in employer-sponsored pension plans.

[6] Assuming 2,000 hours a year for a full time worker (40 hours per week for 50 weeks per year). For the record, the actual earnings cutoff is $17.05 per hour. All programs and data used in this analysis are available upon request.

[7] The exact hourly pay rate, adjusted to constant 2006 dollars, is from Mishel, Bernstein, and Allegretto (2005), Table 2.7, adjusted for inflation.

[8] The March CPS, and the analysis here, also includes union-sponsored plans to which the employer contributes.

includes an extensive set of questions about individuals' health insurance coverage, unfortunately, the available information on private coverage still falls short of the ideal for several reasons.

Quality of Employers' Health Plans

Probably the most important limitation of the CPS for the present analysis is the lack of detailed information on the "quality" of the employer's health insurance plan.[9] The March CPS data do not provide consistent information on important aspects of health insurance plans, including deductible payments, co-payments, choice of doctors, ease of referrals, service-payment caps, or the extent of covered medical conditions. Nor does the March CPS report the exact share of the costs of the health insurance plan that is paid by employers. Instead, the CPS simply asks respondents whether the employer paid "all," "part," or "none" of the premium.[10]

In any given year, the inability to control for plan quality would most likely lead to overstating the share of good jobs. If we could identify particularly poor-quality health plans, we might decide not to count them as contributing in a meaningful way toward a "good" job. This within-year bias, however, is likely to be fairly small since we already exclude plans where the employer pays none of the premium.[11]

Changes in plan quality over time, however, could have an important impact on our measure of changes in job quality over time. The limited data that are available in the March CPS raise concerns that the quality of health insurance plans may have deteriorated over the last 30 years.[12] In particular, the share of employees whose employer pays the full cost of health-insurance premiums fell substantially over the 1979-2005 period. For all workers with employer-provided health insurance, **Figure 1** displays the share whose employers pay all, some, or none of the associated premium. In 1980 (the earliest year for which the data are available in the CPS), about 45 percent of workers with coverage were in plans where the employer paid all of the premium. By 2006, the share of workers with employer-provided plans that paid all of the premium had fallen to just 19 percent, suggesting a substantial decline in the average quality of the plans on offer. Over the same period, many health plans also introduced co-payments, deductibles, spending caps, and other cost-sharing mechanisms, as well as restrictions on patients' ability to choose doctors and consult with specialists further eroding plan quality from the employee's point of view. Since our measure does not track any of these important dimensions of plan quality, the "good jobs" indicator cannot capture and quantify these quality declines over time. As a result, our indicator likely overstates the quality of jobs in later years, thereby overstating any progress the economy has made in improving job quality.

"Spousal Coverage"

Our main interest is to assess the quality of the job, but the CPS health-insurance measure asks only whether the job-holder is *covered* by a plan provided by his or her employer, not whether the

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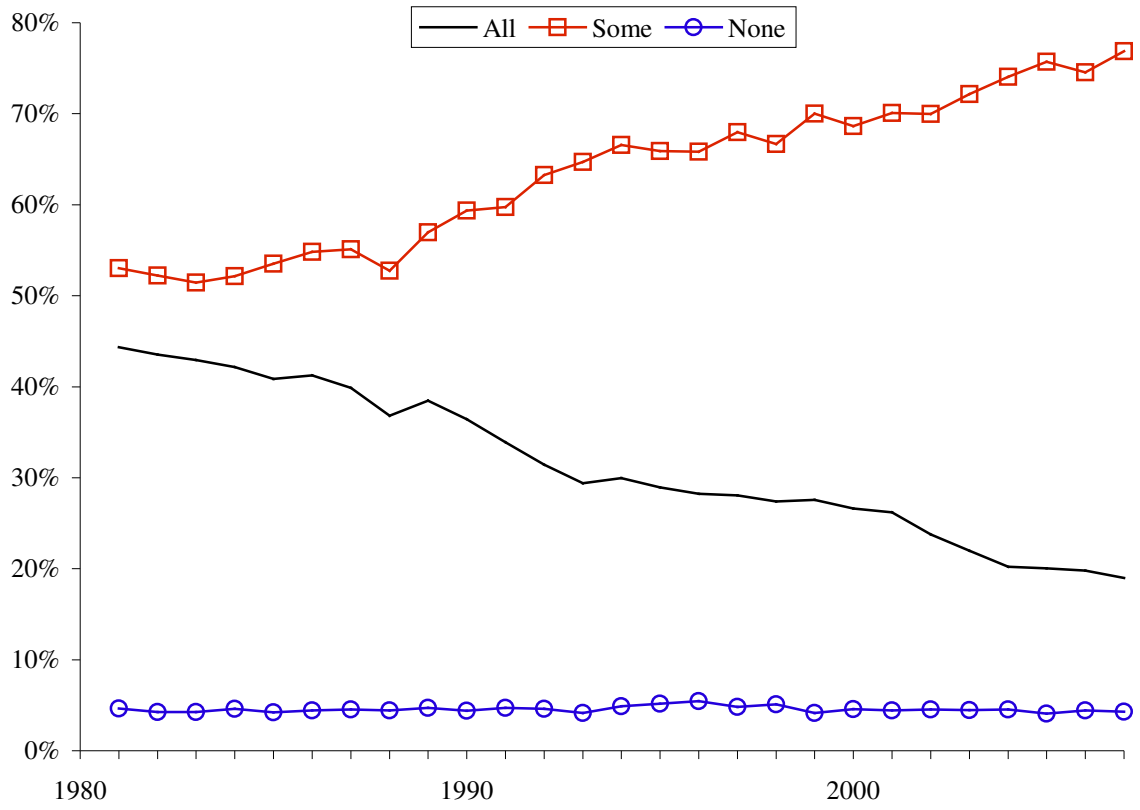
[9] Measuring quality is particularly tricky in this context. The main interest here is in the quality of the *health insurance plan*, not in the underlying *medical attention* paid for by the plan. Given advancements in medical technology, drugs, and medical practices, the quality of medical attention offered by any given plan would undoubtedly be significantly higher in 2004 than it was in 1979.

[10] For the years 1979 and 1994, the CPS does not distinguish between employers that pay "all" or "some" of the health premium.

[11] Workers may also choose not to participate in poor plans, especially ones that require employees to pay part of the premium. This is more likely to happen where workers have the possibility of coverage through their spouses, helping to mitigate the within-year bias due to "spousal coverage," which we consider below.

[12] Again, our interest is in the quality of the health insurance plan, not the underlying medical attention for which the plan helps to pay.

FIGURE 1
Share of Employer-provided Health Insurance Plans Where Employer Pays All, Some or None of the Premiums, 1980 - 2006



Source: Author's analysis of March Current Population Survey.

employer *offers* a plan for which the worker is eligible. If a worker is in a job that has an employer-provided health insurance plan, but the employer declines that coverage because he or she has health benefits through a spouse or other family member, our indicator will mistakenly classify the worker as being in a job that does not offer employer-provided health insurance. In any given year, this will cause us to understate the share of workers in a "good job" since we will classify some workers who are in jobs that pay at least $17 an hour and offer a pension as not being in a good job because they have chosen to receive health insurance through a spouse or other family member (or decline health insurance for some other reason).

Assessing the size of the resulting bias is challenging. According to published Census data, in 2006, 64.2 percent of adults (18 to 64) had employment-based health insurance coverage.[13] In the same year, our measure shows that 53.5 percent of workers had employer-provided health insurance (where the employer paid some or all of the premium). This places an upper-bound of 10.7 percentage points (64.2 minus 53.5) on the share of workers that could have employer-provided health insurance on the job but have declined to accept it because they have similar or better coverage through a spouse or other family member.[14]

[13] Author's analysis of U.S. Census Bureau, Historical Health Insurance Tables, HIA-5 and HIA-6, http://www.census.gov/hhes/www/hlthins/historic/hihistt5.html and hihistt6.html.

[14] Of course, some workers may decline employer-provided coverage even though they do not have other health insurance. This may be particularly true for workers in jobs where the employer pays only part of the health insurance premiums.

The actual size of the bias in our health insurance coverage estimates, however, is likely to be somewhat smaller than this upper-bound. First, the 64.2 percent of adults with employer-based health insurance coverage includes workers who are covered by employer-plans for which the employer makes no contribution toward the premium. In 2006, about 2.5 percent of all workers in our data were in employer-provided plans where the employer did not pay any of the premium. Second, some portion of those classified as not having health insurance on their job because they receive it through a spouse would not make the cutoff for a good job because they earn too little or have no pension plan. In 2006, about 55 percent of workers had no pension plan at their current job and about the same portion of the workforce was earning less than $17 per hour. Women, who probably make up the majority of workers with spousal coverage, are even less likely to make at least $17 per hour or to have a pension plan. Nevertheless, in any given year, this deficiency of the data likely reduced the estimated share of workers in a "good job" relative to the true number of workers in good jobs.

For our purposes, however, we are less concerned about how bias may affect estimates of the good jobs share in any given year than we are about the effect of bias on measuring *changes* in the share of good jobs over time.[15] When making comparisons over time, the key question is whether the share of workers who get health insurance through their spouses or other family members is larger today than it was in the past. Over the long-term, different factors push in different directions. Since the end of the 1970s, the share of single parents, especially single mothers, has increased, as has the educational attainment, labor-force attachment, work experience, and earnings of women (and, therefore, other things constant, their likelihood of being in a job that offers health insurance). These factors would tend to make spousal coverage less important now than in the past. Over the same period, however, the share of two-earner families has risen and employer-provided health insurance has become less common and more expensive for workers (who are paying a rising share of premiums, as we will see below). These factors would tend to make spousal coverage more important than in the past.

At least since the end of the 1990s, the factors making spousal coverage less important appear to be dominating. Between 1999 and 2006, published Census data drawn from the CPS show a faster decline in employment-based health coverage for adults --including spousal coverage-- (down 4.7 percentage points) than the CPS data analyzed here show for employment-based coverage for workers (down 2.7 percentage points). Since overall employer-provided coverage that includes spouses is declining faster than employer-provided coverage excluding spouses, the importance of spousal coverage appears to have declined since at least the late 1990s.

Our tentative conclusions based on the available evidence are that problems stemming from unobserved spousal coverage may cause the good-jobs index, in any given year, to understate the share of good jobs. Nevertheless, the size of the bias is likely to be relatively small and to be at least partially offset by other biases (discussed below) that push in the other direction. More importantly, the spousal-coverage issue is likely to have little impact on the trends of most interest to us – those

[15] Imagine that we were interested in seeing how fast a group of children were growing, but we had a "biased" yard stick, one that claimed to be 36 inches long, but was actually 40 inches long. If the first time we measured the kids, they were all exactly one of our (biased) yardsticks long, we would have recorded their height as 36 inches. Since they were really 40 inches tall, our initial estimate underestimated their true height by 10 percent. Now imagine that we use the same yardstick to measure the kids later in life, and we find that they are all now 1.5 yardsticks tall. Even though our estimator, the yardstick, is biased, it gives an unbiased estimate of the growth in the children's height between the two periods (50 percent). Note that if in the meantime, we had replaced the yardstick with a proper 36-inch version, we would instead get a biased estimate of the change in the children's height. We would have recorded their initial height as 36 inches (of course, the kids were really 40 inches tall) and we would have recorded their later height (properly) as 60 inches (1.5 times 40 inches), suggesting that they had grown 60 percent [(60-36)/60], not 50 percent!

being the estimates of changes in the share of good jobs over time. If anything, the decline in the relative importance of spousal coverage in the 2000s likely leads us to overstate improvements (or underestimate the deterioration) in employer-provided coverage in recent years.

Survey Changes

Over the period analyzed here, the health-insurance related portion of the March CPS underwent several technical modifications. At least two of these changes could affect the consistency over time of measures of health insurance coverage. First, beginning in March 1995 (covering data for calendar year 1994) the introduction of computer-assisted interviewing techniques allowed interviewers to probe respondents' answers to questions about private-health insurance coverage. The new technique resulted in a significant increase in private-coverage rates. With this change in mind, the data used here for 1994 through 2006 (which, along with all data analyzed here, are taken from the Unicon extract of the March CPS data) have been "recoded to their equivalent [pre-March-1995] fields based on the set of questions that had previously been used."[16] Second, beginning in March 2000 (covering data for calendar year 1999), the CPS introduced an additional series of "verification" questions asked of respondents who reported no coverage throughout the year. The new verification questions increased overall health insurance coverage rates substantially relative to the earlier standard.[17] The upward shift in private-coverage rates in 1999, however, is likely to be small since the methodological change had its biggest impact on publicly provided health insurance, particularly coverage for children.

While the March CPS health insurance measure is not perfect, it provides a basically consistent measure of employer-provided health insurance coverage from 1979 through 2006. Spousal coverage likely biases the share of good jobs downward in any given year, but the effect of spousal coverage is likely to be either roughly constant or diminishing over time (at least since the end of the 1990s). To the extent that the importance of spousal coverage has not changed substantially over time, the effect on estimates of changes over time in job quality will be small. To the extent that spousal coverage has become less important than it was in the past, the resulting bias will be toward finding improvements over time in job quality. Our inability to control for plan quality will also likely bias our estimates toward finding larger increases in the good-jobs share than actually took place (since we will be equating newer, but lower quality plans with older, better quality plans). Several recent improvements to the CPS will likely reinforce the bias toward finding improvements since these changes act to increase (though probably only slightly) the share of workers with employer-provided coverage in recent years relative to what those shares would have been using the survey methodology in place in earlier years.[18]

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[16] Unicon (2005), Appendix T.

[17] According to the Kaiser Commission on Medicaid and the Uninsured (see Hoffman and Holahan, 2005), the verification questions raised the overall health insurance coverage count by 3.5 million people (pp. 52-53).

[18] Another limitation of the CPS data, which is more important in other contexts, is the somewhat ambiguous time frame for employer-provided coverage. In principle, the CPS asks individuals whether they had continuous coverage through the calendar year preceding their March interview. Research, however, suggests that respondents may treat the question, instead, as referring either to most of the preceding calendar year or to a particular point-in-time (especially, the job they hold at the time of the March interview). To the extent that this interpretation of the coverage questions has been relatively constant over the period 1979-2006, any resulting bias would be similar over time, leaving estimates of *changes* in coverage unbiased. In any event, we are interested in whether the workers' job had employer-paid health insurance, and only secondarily in whether this coverage was continuous throughout the year. As a result, this flaw in the March CPS survey is less of a concern here than it might be in other contexts.

Pension

In addition to paying at least $17 per hour and offering employer-provided health insurance, a good job must also offer a retirement plan of some kind. A good measure of a retirement plan would allow us to distinguish between traditional "defined benefit" plans (where employers guarantee workers a specific income in retirement) and more recent "defined contribution" plans such as 401(k)s. Ideally, the measure would also take into account the vesting period of the plan, the expected level of retirement income, the amount of risk borne by the individual worker, and other factors. Unfortunately, the March CPS data do not track any of these characteristics over time. Instead, the analysis here counts a worker as having a pension if the employee reports participating in an employer-sponsored savings plan, regardless of the characteristics of the plan.

As with health insurance coverage, one drawback of our measure is that it depends on employees' participation in the plan. Employers may offer a plan, and the employee may be eligible to participate, but we will only know that if the worker chooses to participate. Relative to the "spousal coverage" issue, however, the impact on our ability to assess job quality is much smaller. Given data constraints, we have already set a low bar for pension coverage --any plan, including plans where the employer makes no financial contribution, makes the cut for a "good job." Workers eligible for a pension plan but not participating in it are more likely to be in plans where the employer makes no contribution.[19] Since these plans are only a small step up from not having a pension plan, the impact on our ability to measure good jobs seems limited, both within any given year and over time.

As with health coverage, in the current context, the biggest drawback to the March CPS pension variable is the survey's failure to capture the substantial transformation in the quality of private pensions in recent years. The entire period 1979-2006 saw a steady decline in the share of workers in defined-benefit pension plans (where employers guarantee a specified level of income upon retirement), and an equivalent rise in the share of workers in defined-contribution plans (where employers and employees pay into a worker's personal retirement account). Among private-sector workers, for example, in 1979, about 38 percent of workers were in defined-benefit plans;[20] by 2005, the share had fallen to 20 percent. Over the same period, the portion of private-sector workers in defined-contribution plans rose from about 7 percent to 43 percent.[21]

The shift from defined-benefit to defined-contribution plans represents a substantial shift in risk from employers to employees, but is not reflected in the "good jobs" indicator. As a result, the "good jobs" indicator analyzed here probably overstates the quality of jobs in recent years, relative to earlier periods.

A Bad Job

We can also define a "bad" job as one that fails to meet all three of the criteria defining a "good" job. We call a job that pays less than the $17.00 per hour, *and* has no paid, employer-provided health insurance, *and* has no employer-sponsored pension plan, a "bad" job.

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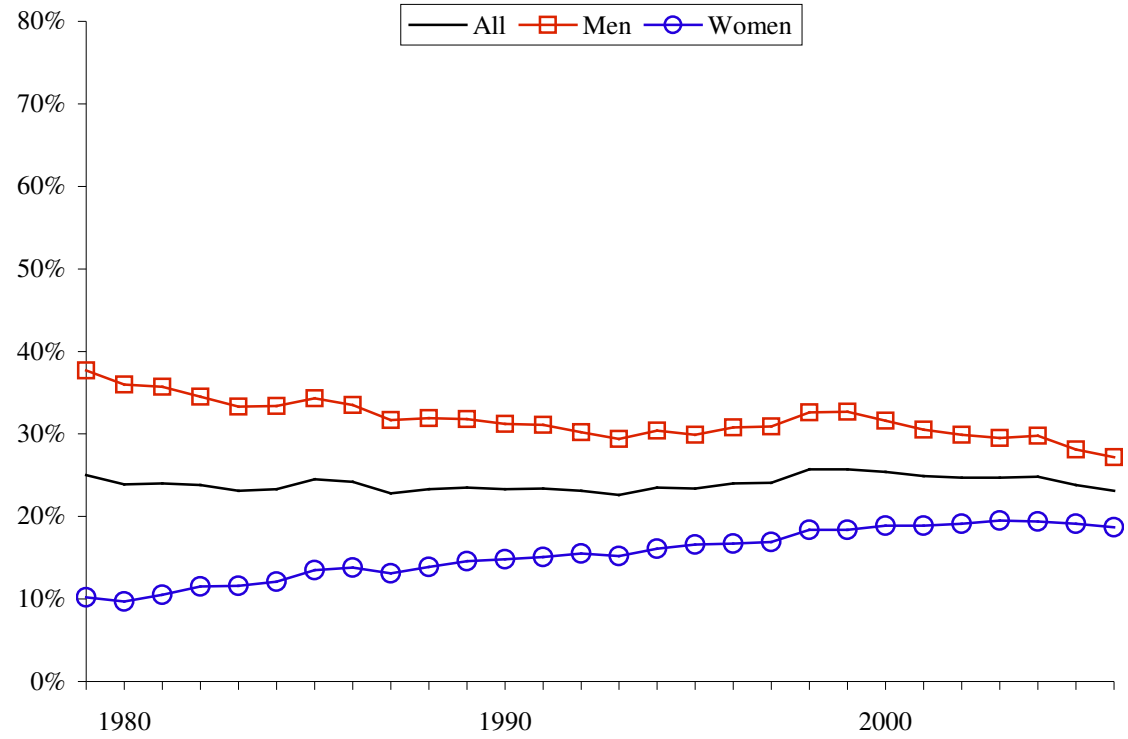
[19] Of course, some workers fail to participate even in plans where employers make contributions.

[20] Especially in recent years, a significant portion of the plans categorized by the Bureau of Labor Statistics as defined-benefit plans are "cash balance" plans, which guarantee workers a rate of return for their retirement savings, but not a specific income level in retirement.

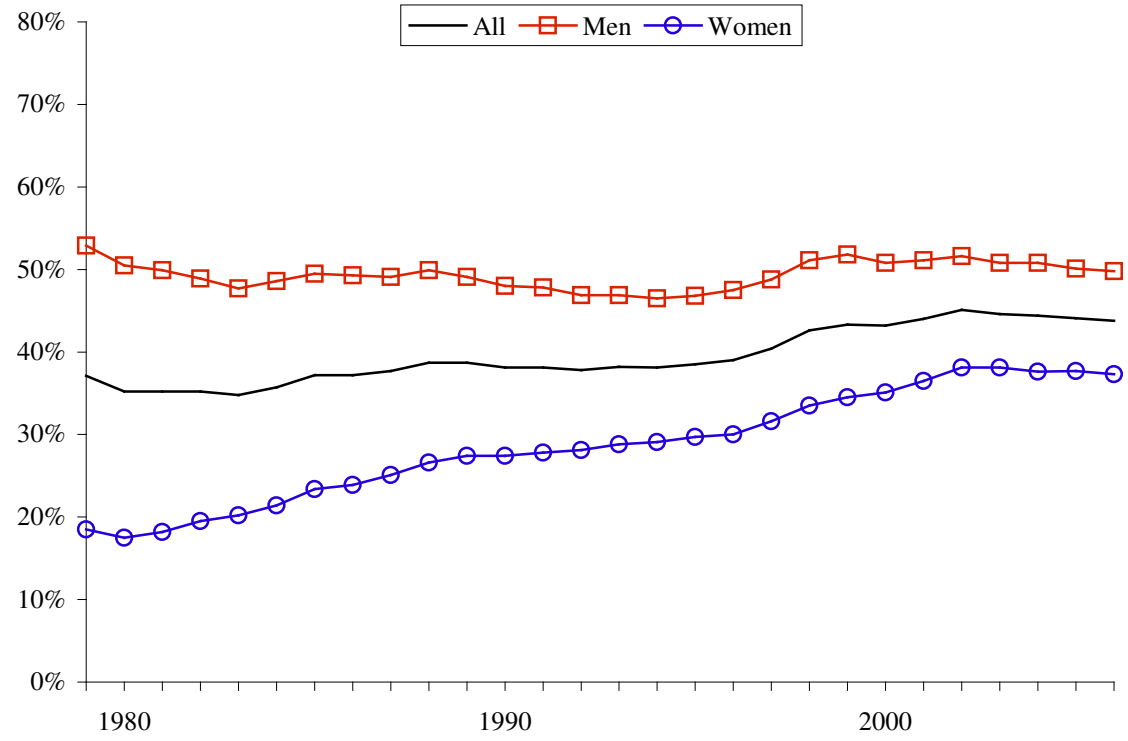
[21] For the 1979 figure, see Mishel, Bernstein, and Allegretto (2005), Figure 2G; for 2005, see Bureau of Labor Statistics (2006), p. Table 2. In both cases, the underlying data include workers that have both defined-benefit and defined-contribution plans.

FIGURE 2
Good Jobs, As a Share of Total Employment, 1979 – 2006



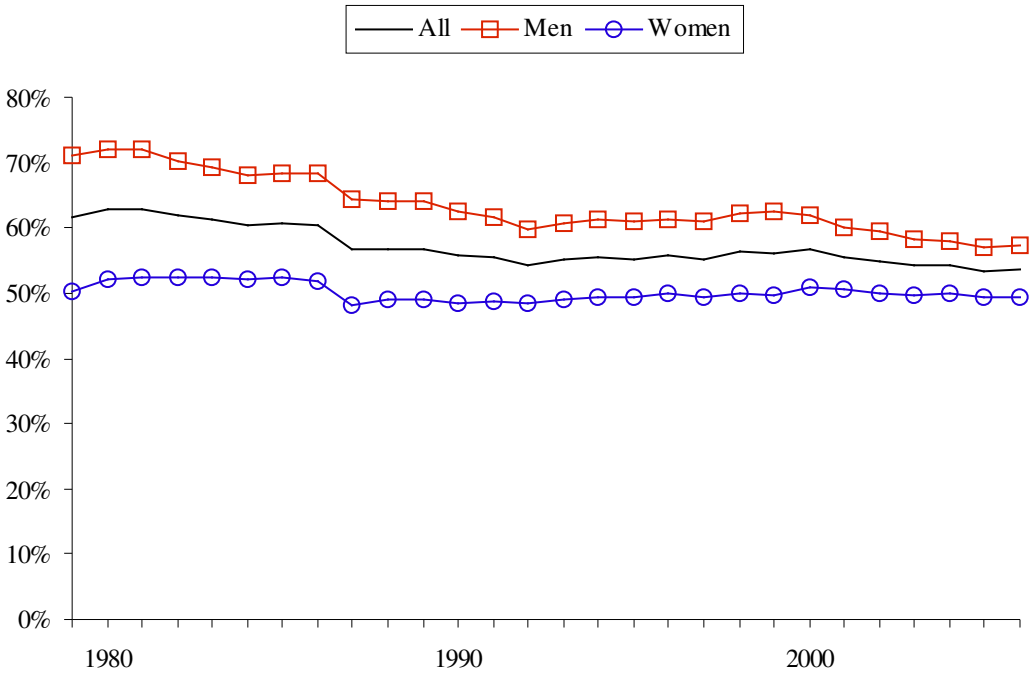
Source: Author's analysis of March Current Population Survey.

FIGURE 3
Jobs Paying At Least $17 per Hour (in 2006 dollars, As Share of Total Employment, 1979 – 2006



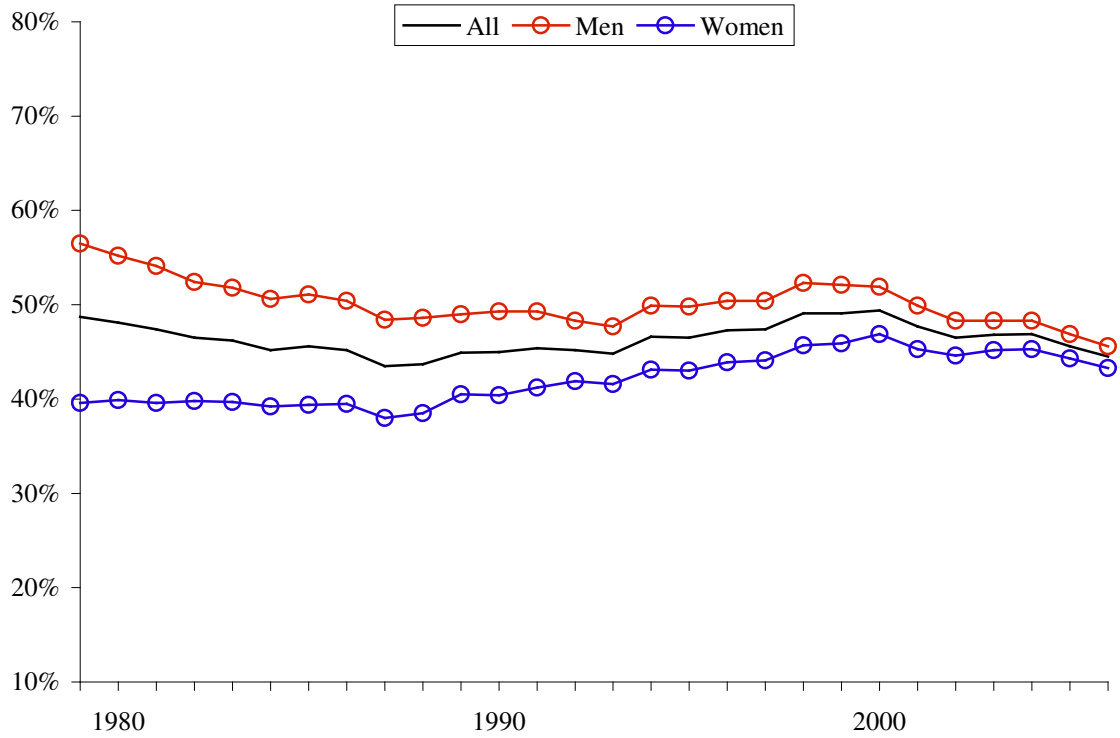
Source: Author's analysis of March Current Population Survey.

FIGURE 4
Jobs with Employer-provided Health Insurance, As Share of Total Employment, 1979-2006



Source: Author's analysis of March Current Population Survey.

FIGURE 5
Jobs with Employer-sponsored Pension Plan, As Share of Total Employment, 1979-2006



Source: Author's analysis of March Current Population Survey.

Trends in Good Jobs and Bad Jobs

In earlier research, we examined long-term changes in the share of good and bad jobs in the United States.[22] That research found a flat and even falling share of good jobs, and a rising share of bad jobs, in the U.S. economy over the quarter century following the end of the 1970s.[23] This disappointing performance coincided with substantial increases in the educational attainment and median age of the workforce, as well as an almost 70 percent increase in GDP per capita, raising important questions about the economy's ability over the long-term to convert economic progress into improved wages and benefits.

In this report, however, we turn our attention to the shorter term and ask how much job quality improves over the business cycle and how the current business cycle compares to the preceding two cycles. For all three business cycles, we measure trends from the peak of the immediately preceding cycle (1979, 1989, and 2000) through the seventh year of the cycle (1985, 1995, and 2006).[24]

As mentioned earlier, economists generally expect that over the course of each business cycle, economic growth, job growth, and falling unemployment will generate market pressure to improve wages, benefits, and working conditions.

Figure 2 shows the share of "good jobs" in the U.S. economy in each year from 1979 through 2006, for all workers and, separately, for men and women. **Table 1** gives the corresponding shares of good jobs for the first and seventh years in each of the three most-recent business cycles. The figure demonstrates that the overall good-jobs share has remained in a fairly tight range --between about 22 and 25 percent of all workers-- over the entire 1979-2006 period. This relatively constant share of good jobs is the result of an almost continuous drop in the share of men in good jobs --falling from 37.7 percent in 1979 to 27.2 percent in 2006-- roughly balanced by a simultaneous rise in the share of women in good jobs --rising from 10.2 percent in 1979 to 18.7 percent in 2006.

[22] See Schmitt (2005) and Schmitt (forthcoming).

[23] Several technical aspects of the methodology in this report and in Schmitt (forthcoming) differ from the methodology used in Schmitt (2005). This report and Schmitt (forthcoming): exclude the self-employed; limit the sample to those who worked more than one week per year; and use the 2006 revised version of the CPI-U-RS as a deflator. On net, these changes lower the share of workers in a good job in the mid-2000s relative to the original methodology.

[24] We use the preceding cycle's peak --rather than the current cycle's trough-- as the starting point for the three cycles because using a peak-to-peak measure paints the least biased picture of the current business cycle. The early 2000s recession was the mildest of the three recessions we examine. As a result, in 2001, the economy started its recovery much closer to the 2000 peak than was the case in the cyclical troughs of the early 1990s and, especially, the early 1980s (which was a severe recession by historical standards). Comparing the cycles from peak-to-peak (or, in our case, from peak through the seventh year after) avoids "punishing" the 2000s cycle for having included a shallow recession --the economy has much less running room when it is recovering from a shallow recession than a deep one. Similarly, use a peak-to-trough measure would paint an overly rosy picture of the 1980s recovery, which started from a severe recession, which had the effect of giving the economic recovery a lot of running room.

TABLE 1
Job Quality over the Business Cycle, 1979-2006
(Percent of total employment)

	All	Men	Women
(a) Good jobs			
1979	25.0	37.7	10.2
1985	24.5	34.3	13.5
1989	23.5	31.8	14.6
1995	23.4	29.9	16.6
2000	25.4	31.6	18.9
2006	23.1	27.2	18.7
(b) Bad jobs			
1979	28.0	19.4	38.0
1985	29.8	23.2	37.1
1989	30.6	24.9	36.8
1995	30.3	25.7	35.1
2000	26.9	23.2	30.7
2006	29.0	26.4	31.7

Notes: Business-cycles defined from the low point of the annual unemployment rate (1979, 1989, and 2000); 1985, 1995, and 2006 are six years after these peaks. Good jobs pay at least $17 per hour, have employer-provided health insurance where the employer pays at least some of the premium, and an employer-sponsored pension plan, including 401(k) and similar defined-contribution plans; a "bad" job has none of these characteristics. Author's analysis of March Current Population Survey data. See text for additional details.

TABLE 2
Components of Job Quality over the Business Cycle, 1979-2006
(Percent of total employment)

	All	Men	Women
(a) Job pays at least $17 per hour			
1979	37.1	52.9	18.5
1985	37.2	49.5	23.4
1989	38.7	49.1	27.4
1995	38.5	46.8	29.7
2000	43.2	50.8	35.1
2006	43.8	49.8	37.3
(b) Job has employer-provided health insurance			
1979	61.5	71.1	50.3
1985	60.8	68.3	52.3
1989	56.8	64.0	49.1
1995	55.3	61.0	49.2
2000	56.6	61.8	51.0
2006	53.5	57.2	49.5
(c) Job has employer-sponsored pension (including 401(k) type plans)			
1979	48.7	56.5	39.6
1985	45.6	51.1	39.4
1989	44.9	49.0	40.5
1995	46.5	49.8	43.0
2000	49.4	51.9	46.9
2006	44.5	45.6	43.3

Notes: See Table 1.

Comparing good-job shares in 2006 with those in 1979, however, is somewhat problematic since 1979 was a business-cycle peak, while 2006 was not. A more reasonable comparison for 2006 would be the seventh year of the two earlier cycles (1985 and 1995). Even when we compare comparable points in the business cycle, the overall good-job share in 2006 still falls short: 23.1 percent in 2006, compared to 23.4 percent in 1995 and 24.5 percent in 1985. As Figure 1 suggests, good-jobs trends differ for men and women. The share of men in good jobs fell sharply between 1985 (34.3 percent) and 1995 (29.9 percent) and, again, through 2006 (27.2 percent). Meanwhile, for women, the good-jobs share rose across comparable points in the three cycles: from 13.5 percent in 1985, to 16.6 percent in 1995, to 18.7 percent in 2006.

One feature of the simple definition of a good job used here is that we can examine behavior of the three subcomponents (earnings, health insurance, and pension) separately. **Figure 3** shows the share of U.S. jobs that pay at least $17 per hour (in constant 2006 dollars) in each year from 1979 through 2006. Overall, the share of jobs paying "good" wages rose modestly over the 28 years covered in the figure, from 37.1 percent in 1979 to 43.8 percent by 2006. As with the broader index, however, the experience of men and women differed in important ways. The share of men earning at least $17 per hour hovered around 50 percent through all three decades.[25] The share of women earning at least that much, however, grew by almost 20 percentage points, from just 18.5 percent in 1979 to 37.3 percent in 2006. The data in panel (a) of **Table 2**, which allow comparisons at comparable points in the three business cycles, demonstrate that the pattern of relative stagnation for men and strong growth for women does not disappear when we take business-cycle effects into account.

Figure 4 tells a bleaker story for employer-provided health insurance. Between 1979 and 2006, the overall share of workers with employer-provided health insurance (where the employer pays at least part of the premium) fell eight percentage points (from 61.5 percent in 1979 to 53.5 percent in 2006). The portion of working women with health insurance changed little over the period, remaining close to 50 percent in every year. Men, however, saw a sharp decline in health insurance coverage rates, from a peak of 72.1 percent in 1980 to just 57.2 percent in 2006. Contrasting comparable points in the business cycles (see panel (b) of Table 2) does not alter the conclusion that over the last three decades health-care-coverage rates have been flat for women and falling for men.

Figure 5 reviews the trends in pension coverage (where the term refers to both traditional defined-benefit pension plans and more recent defined-contribution plans such as 401(k)s). The share of workers participating in an employer-sponsored retirement plan was lower in 2006 (44.5 percent) than it was in 1979 (48.7 percent). The path between these two points, however, was not a straight line. Between 1979 and about 1987, pension coverage fell steadily, for all workers but especially for men. From 1987 through the late 1990s, pension-coverage rates rose steadily, especially for women, presumably reflecting the expansion over this period in defined-contribution plans. From about 2000, pension coverage fell again, and, as before, especially so for men.

The data in panel (c) of Table 2 let us control for business-cycle effects to draw sharper conclusions about the trends over time.

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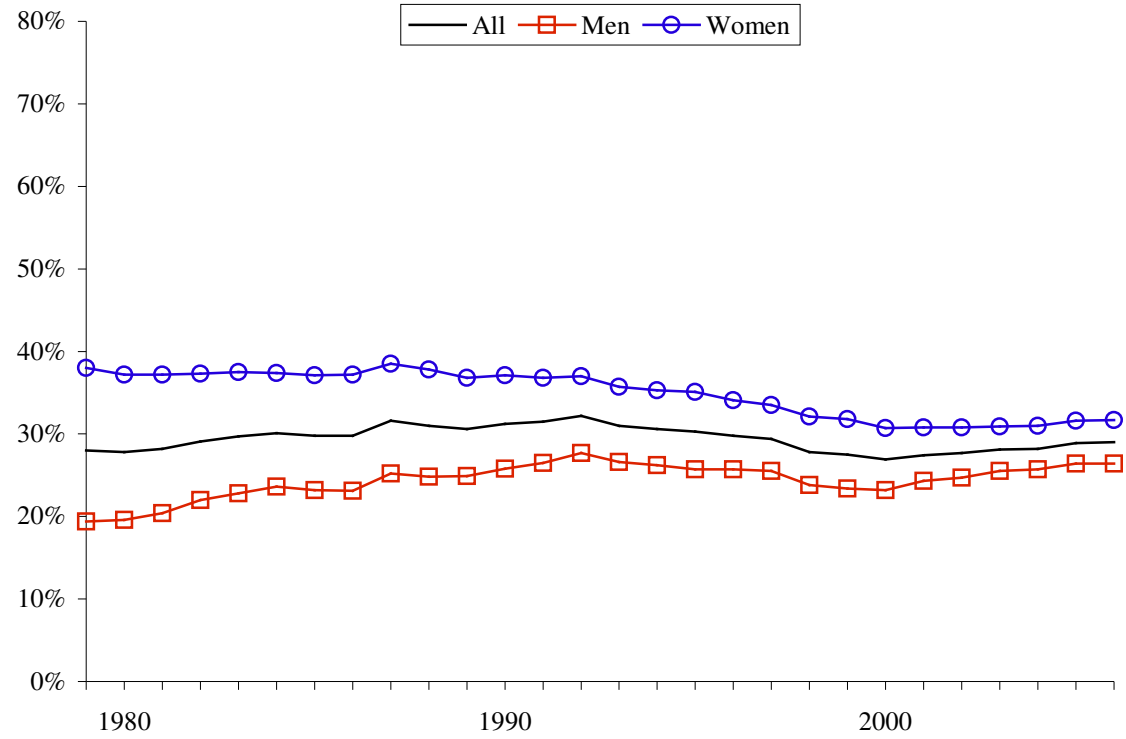
[25] The $17 per hour benchmark was selected because that is the median real male earnings in the 1979 Outgoing Rotation Group (ORG) of the Current Population Survey. In 1979, just over half (52.9 percent) of the men in the March Current Population Survey earned at least $17 per hour. The slight difference in the median in the two surveys reflects differences in the earnings concept used in the two surveys. The ORG wage uses reported hourly earnings figures for those paid by the hour and an estimate of hourly wages based on weekly (or earnings reported at other intervals) together with usual weekly hours of work for those not reporting an hourly wage. As described above, the hourly earnings estimate in the March CPS is derived from the total annual earnings from work, the total number of weeks worked in the calendar year, and the usual hours worked per week.

FIGURE 6
Bad Jobs, As Share of Total Employment, 1979 – 2006



Source: Author's analysis of March Current Population Survey.

If we look only at the seventh year of each cycle, the share of men with pension coverage under our definition fell continuously, from 51.1 percent in 1985, to 49.8 percent in 1995, to 45.6 percent in 2006. The conclusion is a little better if we focus only on business-cycle peaks, where coverage rates initially fell between 1979 (56.5 percent) and 1989 (49.0 percent), but then recovered somewhat between 1989 and 2000 (51.9 percent). For women, pension coverage in 2006 (43.3 percent) stood about where it was in 1995 (43.0 percent), but was above the 1985 level (39.4 percent). Focusing on business-cycle peaks, pension coverage rose slightly over the 1980s (from 39.6 percent in 1979 to 40.5 percent in 1989), and then increased sharply in the 1990s (to 46.9 percent by 2000).

We can also examine the share of "bad jobs" --those paying less than $17 per hour and offering neither health insurance nor a pension plan.[26] **Figure 6** shows the shares of bad jobs over the past three decades. Overall, the bad-jobs share changed little between 1979 (28.0 percent) and 2006 (29.0 percent). The relatively flat behavior over the period was the result of rising bad-job rates for men (up 7.0 percentage points between 1979 and 2006) and declining bad-job rates for women (down 6.3 percentage points over the same period). Panel (b) of Table 1 gives the bad-job shares at the key points of the last three business cycles, which confirm the view that the share of men in bad jobs has been on the rise over the last three decades, while the share of women in bad jobs has been on the decline.

[26] The bad-jobs calculations are not simply the mirror image of the good jobs numbers because jobs can fall in between the definitions used here. A good job has all three positive characteristics; a bad job has none of the three positive characteristics; intermediate jobs have one or two of the positive characteristics.

Good Jobs and Bad Jobs over the Last Three Business Cycles

The preceding section looked primarily at long-term trends in job quality, with some attention to controlling for business-cycle effects. This section takes a closer look at how job quality evolved over each of the three most recent business cycles. We would generally expect that, as the economy falls into recession after each business-cycle peak, the share of good jobs would fall. Following this cyclical trough, we would then generally expect that the share of good jobs would either remain flat or, possibly, continue to fall as slack conditions in the labor market temporarily undermined workers' bargaining power.[27] Once the economic recovery had been underway long enough to lower the unemployment rate and thereby restore workers' bargaining power, we would, finally, expect the share of good jobs to rise again. Since the average productivity level of U.S. workers rose sharply from one business-cycle peak to the next, we would also reasonably expect that the share of good jobs would be higher at each new business cycle peak --something we did not see for workers as a whole or for male workers across the three cyclical peaks in 1979, 1989, and 2000.

Figure 7a presents a simple way to compare the evolution of good jobs over the three most recent business cycles. For each of the first six years (see the x-axis) of the three cycles, the graph shows the percentage-point change in the total share of good jobs in the economy --relative to the preceding business cycle peak (labeled year zero on the x-axis). The (incomplete) 1979-1985 cycle (the blue line, with circles) largely followed the expected path described above: after the cyclical peak in 1979 (year zero on the x-axis), the share of good jobs fell about one percentage point; then the good-jobs share held roughly constant (even fell again as the economy entered the deep recession of 1982, year three on the x-axis); and, finally, the good-jobs share began to rise as the labor market tightened in 1984 and 1985 (years five and six).[28]

The (incomplete) 1989-95 cycle (red line with squares) and the 2000-06 cycle (solid black line), however, both differed from the stylized cycle. In the post-1989 and the post-2000 cycles, the initial decline in good jobs was less sharp than it had been in the post-1979 cycle. Even by year four of the second and third cycles, the loss of good jobs was still not as large as it had been after the first year of the 1980s cycle. At year four, however, the behavior of the two most recent cycles diverged. In the 1990s cycle, after year four (1993), the share of good jobs started to rise, recovering the level reached at the peak of the preceding cycle. In the 2000s cycle, however, after year four (2004), the share of good jobs fell sharply (about 1.7 percentage points). Economic growth, job growth, lower unemployment, and even faster wage growth as the economy recovered from the 2001 recession did not translate into a larger share of good jobs in the economy. In fact, during the 2000s expansion, after year four, the share of good jobs actually declined at a faster pace than it had when the economy first entered into a recession.

Figure 7b shows a similar graph for men only. Over the post-1979 and post-1989 cycles, the share of men in good jobs fell through year four, and then began to rise again. In the post-2000 cycle, however, the good-jobs share fell or was basically flat through year four, and then dropped even more sharply in years five and six than had been the case earlier in the cycle.

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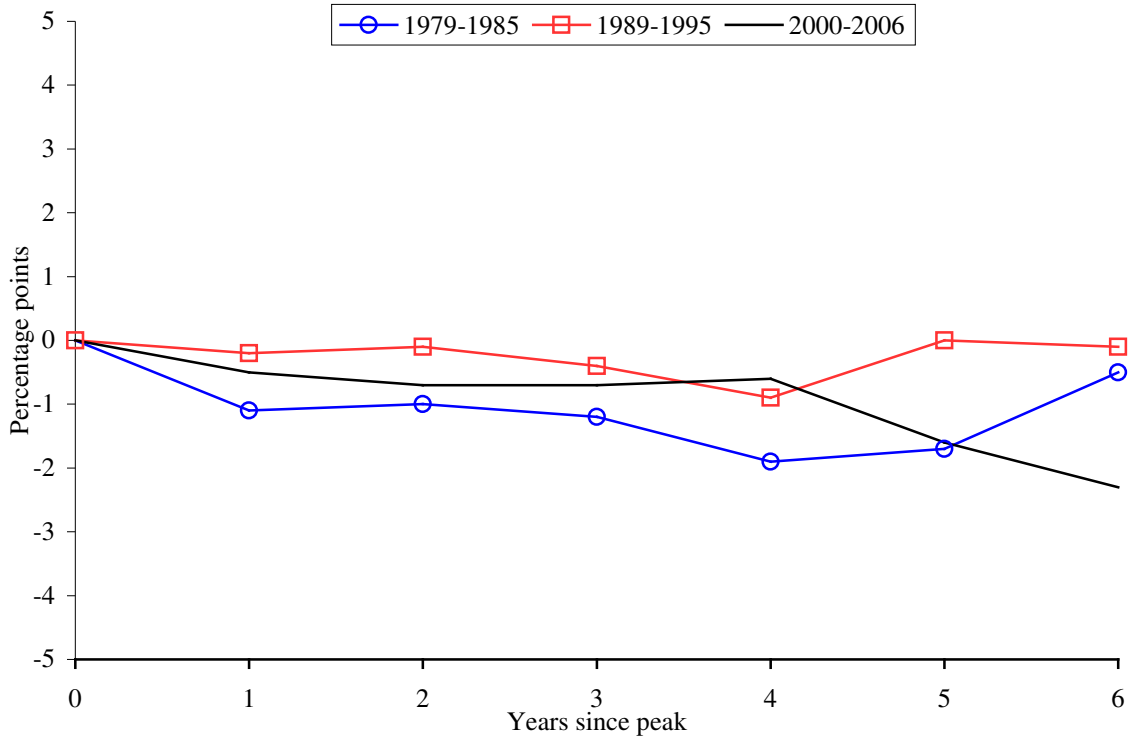
[27] For a discussion of the influence of the unemployment rate on workers' bargaining power and wages, see Bernstein and Baker (TK).

[28] Of course, the post-1979 (and post-1989) cycles continued beyond what is marked as year six on this graph, but since we are interested in making comparisons with the current incomplete cycle, the graph ends at year six so as not to compare the current cycle with points farther along in the earlier cycles.

FIGURE 7a
Change in Good Jobs Share over Three (Incomplete) Business Cycles



Source: Author's analysis of March Current Population Survey.

In all three cases, the good-jobs share for men remained lower in year six than it had been at the peak of the preceding cycle, with the largest decline in the 2000s.

Figure 7c presents the same information for women workers. In strong contrast to the case for men, the good-jobs share for women rose over the 1980s and 1990s business cycles (after a small initial dip in year one in the 1980s cycle). In the 2000s, however, the good-jobs share for women was essentially unchanged through year six.

As with the longer-term trends, we can also look separately at the cyclical patterns for each of the three subcomponents of the good-jobs index. **Figure 8** traces the change in the share of all jobs paying at least $17 per hour over the three business cycles. The pattern for the most recent cycle is strikingly different from those of the earlier two. During the 1980s and the 1990s, the share of jobs paying above the $17 earnings cutoff fell through year three or four, especially in the 1980s, and then just about recovered preceding-peak levels by year six. In the current cycle, however, the share of jobs paying at least $17 per hour actually rose sharply in the early years of the cycle (2001 and 2002), and then tapered off slightly through 2006 to a point 0.6 percentage points above the level at the 2000 business-cycle peak. Panel (a) of **Table 4** allows us to look at the different experiences of men and women. Over the current cycle, the share of men in jobs paying only $17 per hour fell 1.0 percentage points, substantially better than the 2.3 percentage-point decline over the comparable period of the 1990s cycle and the 3.4 percentage-point drop in the 1980s. Meanwhile, the share of women in high-paying jobs increased 2.2 percentage points in the 2000s, about the same as the increase in the 1990s (2.3 percentage points), but well below the progress they made in the 1980s (4.9 percentage points).

TABLE 3
Change in job quality over the business cycle, 1979-2006
(Percentage points of total employment)

	All	Men	Women
(a) Change in good jobs			
1979-1985	-0.5	-3.4	3.3
1989-1995	-0.1	-1.9	2.0
2000-2006	-2.3	-4.4	-0.2
(b) Change in bad jobs			
1979-1985	1.8	3.8	-0.9
1989-1995	-0.3	0.8	-1.7
2000-2006	1.6	2.1	0.9

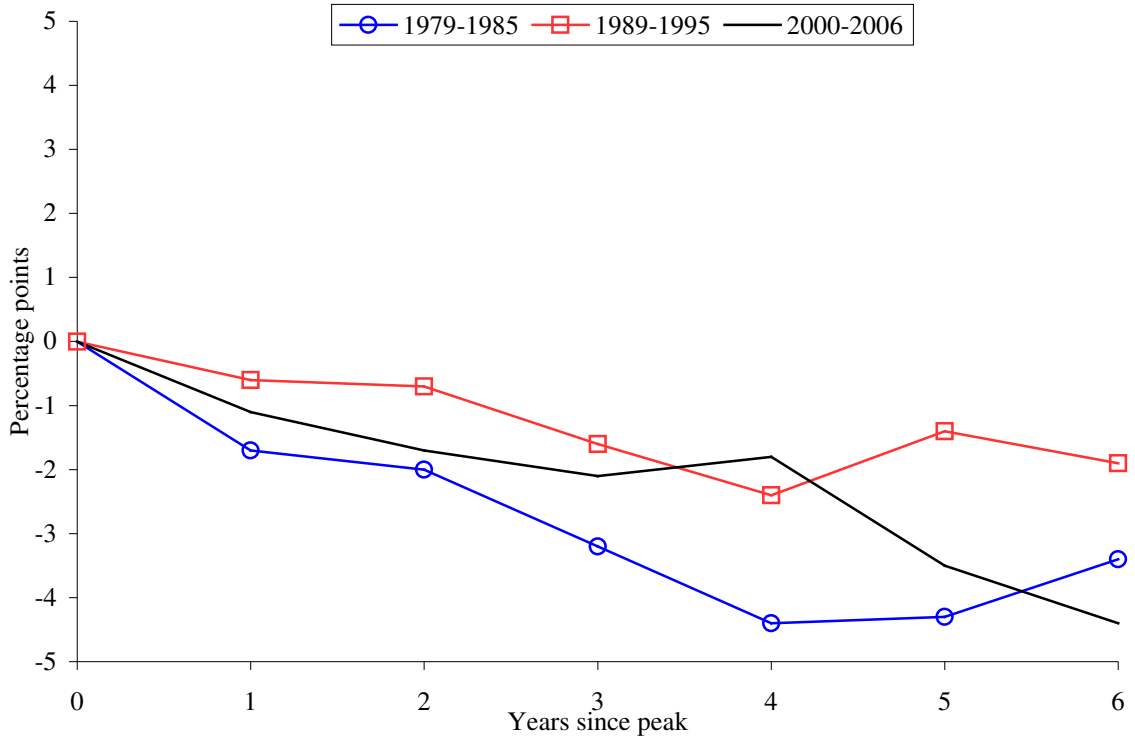
Notes: See Table 1.

TABLE 4
Change in components of job quality over the business cycle, 1979-2006
(Percentage points of total employment)

	All	Men	Women
(a) Change in share of jobs paying at least $17 per hour			
1979-1985	0.1	-3.4	4.9
1989-1995	-0.2	-2.3	2.3
2000-2006	0.6	-1.0	2.2
(b) Change in share of jobs with employer-provided health insurance			
1979-1985	-0.7	-2.8	2.0
1989-1995	-1.5	-3.0	0.1
2000-2006	-3.1	-4.6	-1.5
(c) Change in share of jobs with employer-sponsored pension			
1979-1985	-3.1	-5.4	-0.2
1989-1995	1.6	0.8	2.5
2000-2006	-4.9	-6.3	-3.6

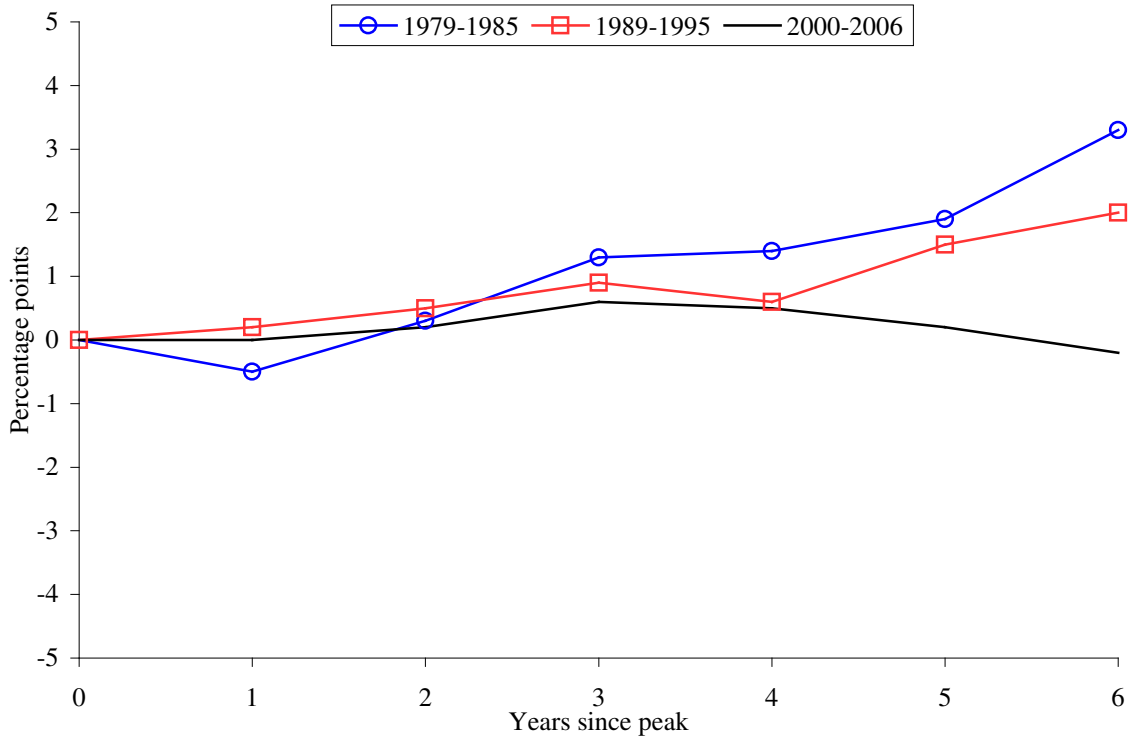
Notes: See Table 1.

FIGURE 7b
Change in Good Jobs Share over Three (Incomplete) Business Cycles, Men



Source: Author's analysis of March Current Population Survey.

FIGURE 7c
Change in Good Jobs Share over Three (Incomplete) Business Cycles, Women



Source: Author's analysis of March Current Population Survey.

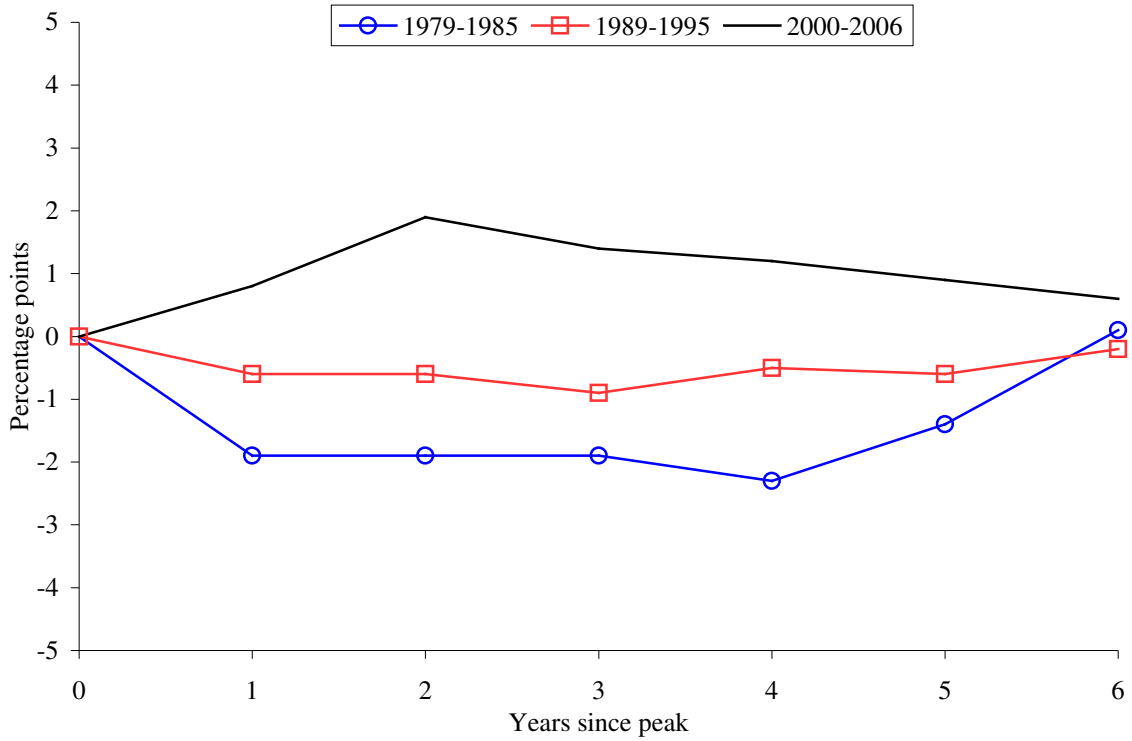
The current cycle's relatively solid performance with respect to earnings, however, does not translate to health and pension benefits. **Figure 9** shows the change over the three cycles in the share of jobs with employer-provided health insurance. Jobs with health insurance actually rose through year three of the 1980s cycle, before starting to fall through year six of that cycle. The 1990s cycle showed the more-expected pattern, with declines in health coverage early on, followed by a partial recovery through year six. The 2000s cycle, meanwhile, showed a steady drop through years five and six (down 3.1-3.2 percentage points).

Panel (b) of Table 4 demonstrates that the current cycle had the worst performance of the three cycles with respect to health insurance coverage, for workers overall, and for men and women separately. The decline in health insurance rates for 2000-06 (down 3.1 percentage points) was substantially larger than it was during 1989-95 (down 1.5 percentage points) or 1979-85 (down 0.7 percentage points). For men, the 2000-06 decline was 4.6 percentage points, compared to a 3.0 percentage-point drop for 1989-95 and a 2.8 percentage-point fall for 1979-85. The 2000s cycle was also the only cycle where employer-provided health-care coverage fell for women -- down 1.5 percentage points -- compared to a 0.1 percentage-point increase in the 1990s and a 2.0 percentage-point improvement in the 1980s.

The 2000s cycle has also generated the worst pension outcomes over the three cycles (see **Figure 10** and panel (c) of Table 4). Pension coverage rose over the first six years of the 1990s cycle (up 1.6 percentage points at year six), but fell almost continuously during both the 1980s cycle (down 3.1 percentage points at year six) and the 2000s cycle (down 4.9 percentage points). Over the 2000s, pension coverage rates dropped sharply for both men (down 6.3 percentage points) and women (down 3.6 percentage points).

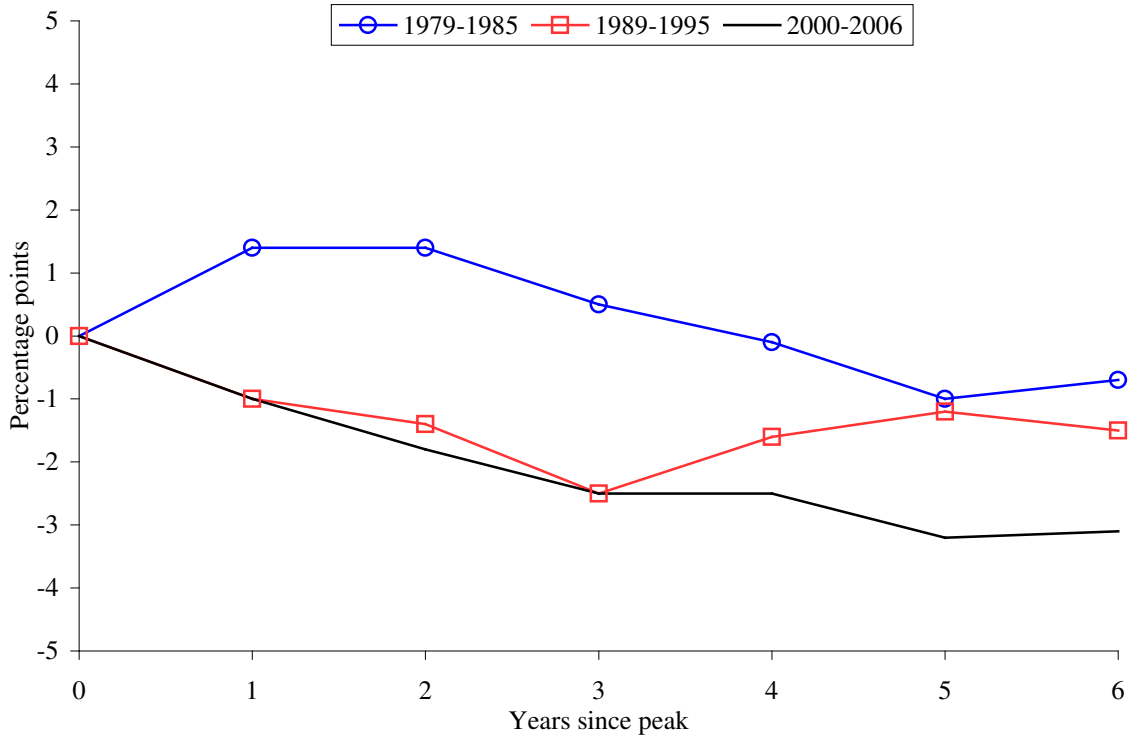
Finally, we can also examine changes in the share of bad jobs over the three cycles. **Figure 11** displays the change in the bad-jobs share for all workers over the first seven years of each cycle. In all three cycles, the share of bad jobs increased steadily through year three. At that point, the share of bad jobs began to decline during the 1990s cycle, falling 0.3 percentage points below the level of bad jobs reached at the preceding (1989) business-cycle peak. The bad-jobs share, however, continued to climb steadily through year six in both the 1980s (up 1.8 percentage points by year six) and the 2000s cycles (up 2.1 percentage points by year six). By historical standards, the growth in bad jobs was particularly bad for women (see panel (b) of **Table 3**). In the 1980s and 1990s cycles, the bad-job share for women fell (down 0.9 percentage points in the first six years of the 1980s cycle and down 1.7 percentage points over the same period in the 1990s cycle). Over the 2000s cycle, however, the bad-jobs share has risen (up 0.9 percentage points).

FIGURE 8
Change in Share of Jobs Paying More Than $17 per Hour, over Three (Incomplete) Business Cycles



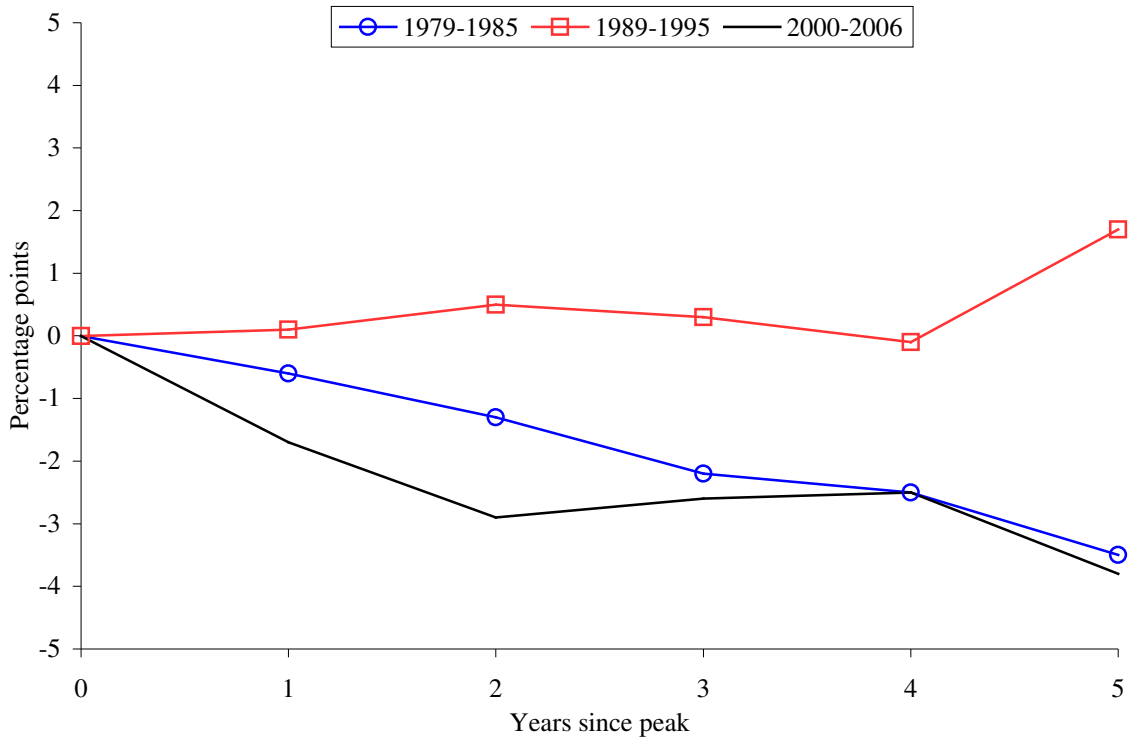
Source: Author's analysis of March Current Population Survey.

FIGURE 9
Change in Share of Jobs with Employer-provided Health Insurance, over Three (Incomplete) Business Cycles



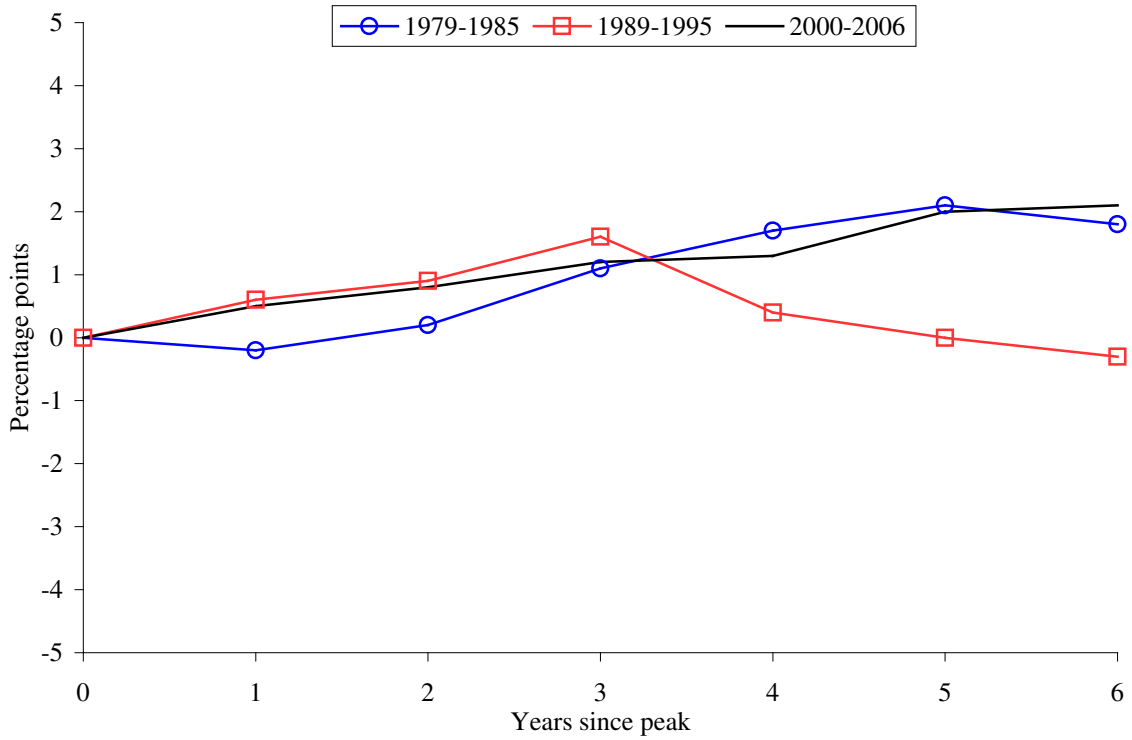
Source: Author's analysis of March Current Population Survey.

FIGURE 10
Change in Share of Jobs with Employer-sponsored Pension Plan, over Three (Incomplete) Business Cycles



Source: Author's analysis of March Current Population Survey.

FIGURE 11
Change in Bad Jobs Share over Three (Incomplete) Business Cycles



Source: Author's analysis of March Current Population Survey.

Conclusion

The share of good jobs stood lower in 2006 than it did in 1979, despite substantial economic growth during the three intervening decades. The current business cycle has performed particularly poorly with respect to good-job creation. Over the current economic expansion, the share of good jobs fell, and by a greater margin than over comparable periods of the two preceding business cycles.

The culprit behind the decline in good jobs in the United States was not, primarily, stagnant or declining wages. Between 2000 and 2006, the share of jobs paying at least $17 per hour (in constant 2006 dollars) actually rose slightly. Instead, the driving force behind the decline in good jobs has been steep drops in the share of jobs offering health insurance and pension plan.

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