20 Million Jobs:
January 1993 – November 1999

A Report by the
Council of Economic Advisers
and the
Office of the Chief Economist,
U.S. Department of Labor

December 3, 1999

EXECUTIVE SUMMARY

- **Robust Job Growth.** Since January 1993, employment has grown rapidly and 20 million net new jobs have been created. Employment is at an all-time high—a larger percent of the population is employed now than at any previous time. The unemployment rate, at 4.1 percent, is the lowest it has been in 29 years.

- **Broad Employment Gains.** Employment gains have been strong for all major subgroups of the population. For African Americans and Hispanics, the proportions of the population with jobs rose to record highs and the unemployment rates fell to record lows. The unemployment rate for women is now lower than at any time since 1953.

- **More High-Quality Jobs.** The 20 million jobs created since January 1993 have overwhelmingly been good jobs. Eighty-one percent of the job growth was in industry/occupation categories paying above-median wages. Sixty-five percent was in the highest-paying third of industry/occupation categories.

- **Real Wage Growth for All.** Increases in real (inflation-adjusted) earnings were widely shared in the late 1990s. This is in sharp contrast to the 1980s, when growth in real earnings was concentrated among high-wage workers and real earnings fell for those at the lower end of the wage distribution. Strong earnings growth in the past few years produced gains in household income, and the poverty rate has fallen to its lowest level since 1979.

- **Sectoral Differences.** Services accounted for a substantial share of job growth since January 1993, but construction, transportation, and public utilities also accounted for significant portions. Employment was growing in manufacturing until the Asian financial crisis, but it started declining in the second quarter of 1998, reducing net job creation in that sector.

- **Most Jobs Remain Full-Time.** The majority of all jobs are full-time jobs—there has been no increase in the proportion of jobs that are part-time or in the proportion of workers holding multiple jobs.

- **Declining Worker Displacement.** In a dynamic economy with rapid job growth, many more jobs are being created than are being lost. And while some workers have been displaced from their jobs, job displacement rates have been on the decline and workers' reported fear of job loss is abating.

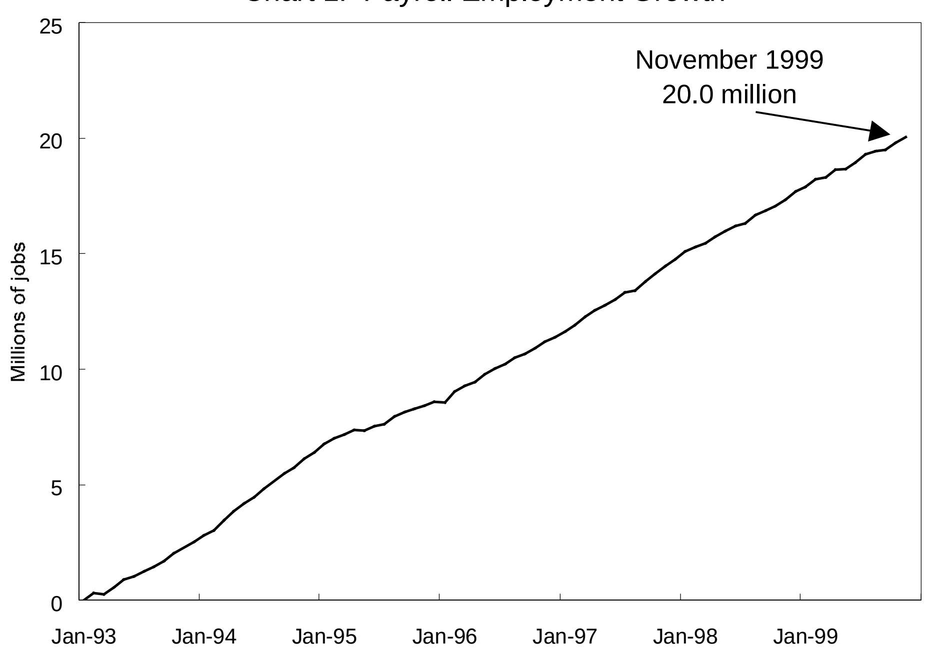
INTRODUCTION

Since January 1993, the economy has generated 20 million new jobs. A higher proportion of the population aged 16 and over is employed now than ever before, and at 4.1 percent the unemployment rate is lower than it has been since 1970.[1] Moreover, as the evidence in this paper shows, a very high proportion of the new jobs that people are taking are good jobs in industry/occupation categories that pay above-median wages. Real wages are growing again. And the benefits of a strong labor market are being shared widely among U.S. workers—including groups that saw little if any progress over the 1973-93 period.

20 MILLION JOBS

Between January 1993 and November 1999, employers added 20 million people to their payrolls[2] (Chart 1).

Chart 1: Payroll Employment Growth



Source: Bureau of Labor Statistics, Establishment Survey.

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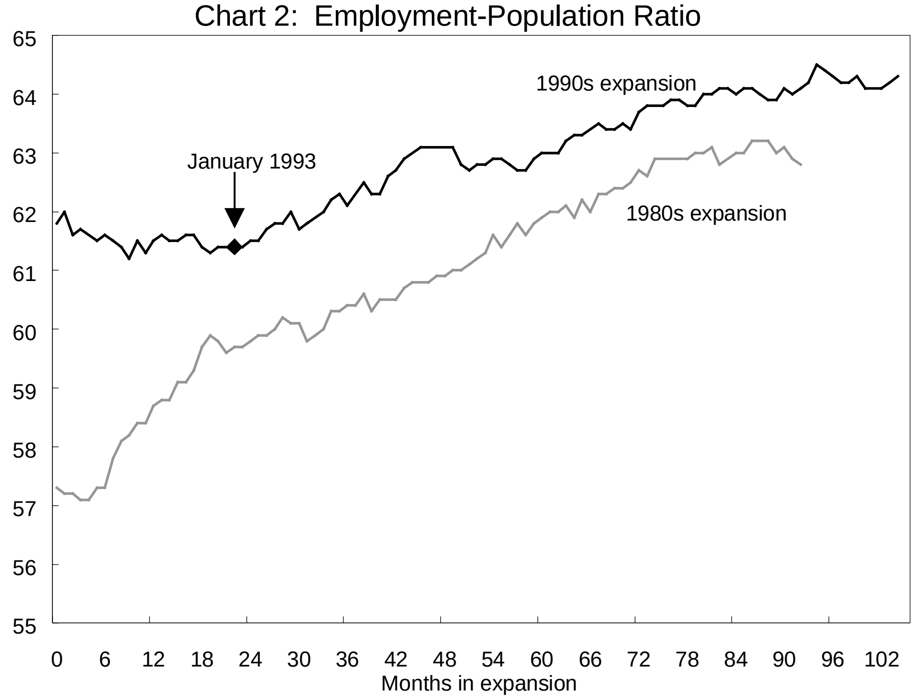
[1] Employment and jobs data come from two sources. The establishment survey asks employers how many people they have on their payrolls; the household survey asks people whether they have a job or are looking for a job. References to "jobs" in this paper generally refer to the establishment survey, while references to "employment" generally refer to the household survey.

[2]Although the current expansion technically began following the business cycle trough in March 1991, job growth was very sluggish for more than a year and payroll employment had grown by only 1.2 million by January 1993.

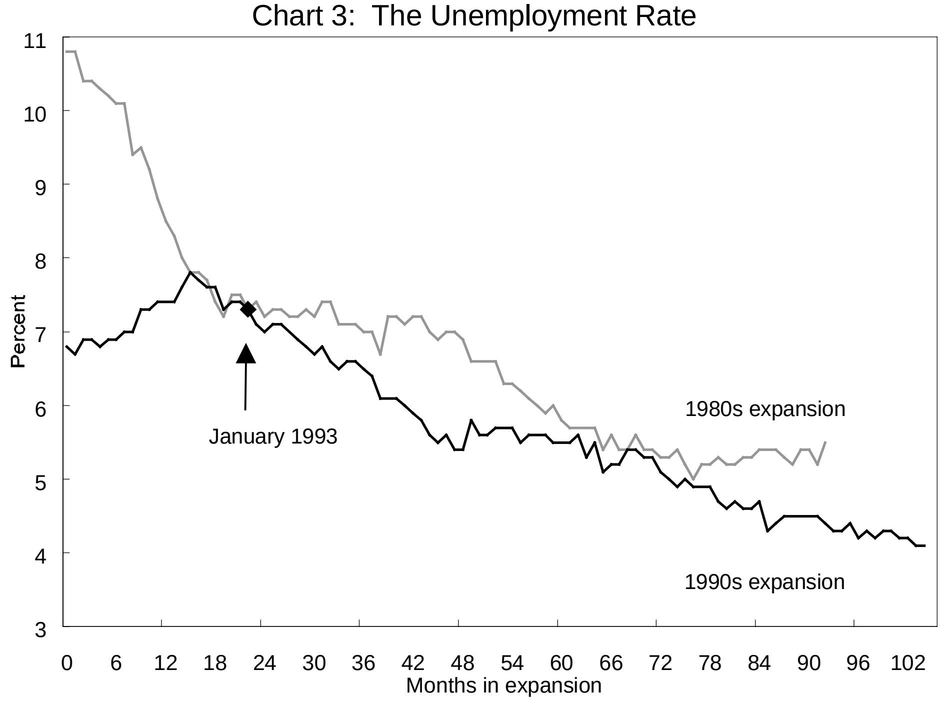
More people are working now than ever before. The proportion of the population aged 16 and over that is employed reached an all-time high this year and has been higher during this expansion than it was at comparable points during the 1980s expansion (Chart 2). This high employment-population ratio reflects longer term trends, but the very strong labor market and

Chart 2: Employment-Population Ratio



Source: Bureau of Labor Statistics, Household Survey.

Chart 3: The Unemployment Rate



Source: Bureau of Labor Statistics, Household Survey.

policies designed to increase the rewards to work surely have contributed as well by attracting new workers into the labor market. At the same time, the unemployment rate has been below 5 percent for 29 consecutive months and is lower than it has been in 29 years. While the unemployment rate in January 1993 was about the same as it was at a comparable point in the 1980s expansion, it has subsequently declined faster and further than it did in that expansion (Chart 3).

EMPLOYMENT GAINS ARE WIDESPREAD

Labor market gains since January 1993 have been impressive across demographic groups (Table 1). African Americans and Hispanics, for example, experienced their lowest unemployment rates on record during the past year (Chart 4).[3] Employment-population ratios have reached record highs not only for all persons aged 16 and over but also for particular subgroups such as women, African Americans and Hispanics.[4] The increased labor force activity of women, in particular, reflects a combination of forces, such as welfare reform and the Earned Income Tax Credit (EITC), that improve the incentives to work among those with low earnings. The unemployment rate for women is the lowest it has been since 1953.

Table 1
Indicators of Labor Market Activity for Selected Demographic Groups
1992 to November 1999
(percent, civilian workers, seasonally adjusted)

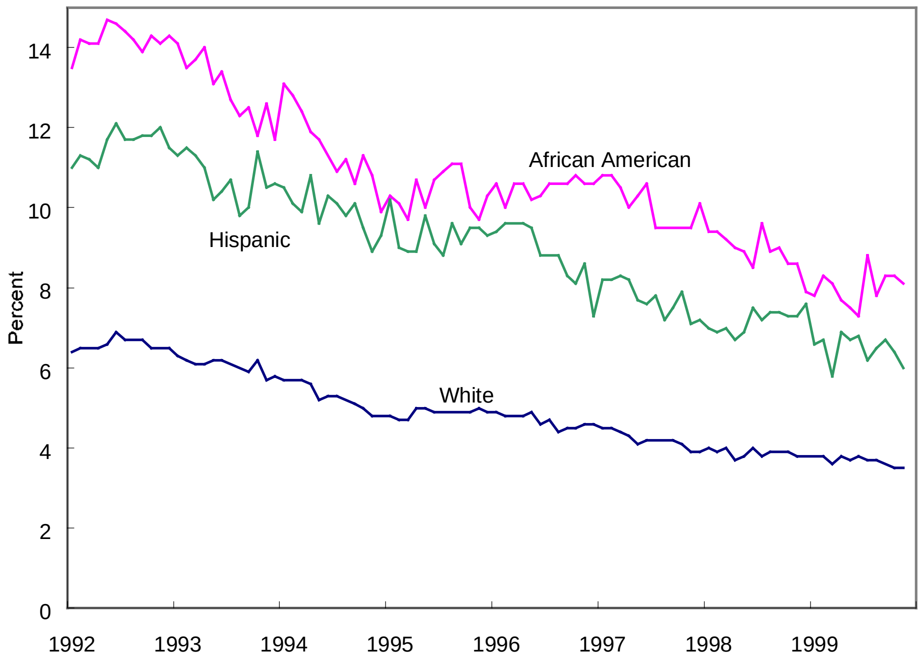
	Unemployment rate			Employment-population ratio		
Demographic group	Annual 1992	Nov. 1999	Change	Annual 1992	Nov. 1999	Change
Total	7.5	4.1	-3.4	61.5	64.3	2.8
White	6.6	3.5	-3.1	62.4	64.8	2.4
African American	14.2	8.1	-6.1	54.9	60.8	6.0
Hispanic	11.6	6.0	-5.6	59.1	63.7	4.6
Men, 16 years and over	7.9	4.0	-3.9	69.8	71.6	1.8
Women, 16 years and over	7.0	4.2	-2.8	53.8	57.5	3.8
Teenagers	20.1	14.1	-6.0	40.9	44.8	3.9

Source: Bureau of Labor Statistics, Household Survey.

[3]Separate unemployment rates have been recorded since 1972 for African Americans and 1973 for Hispanics. The record lows for these groups were 7.3 percent for African Americans (June 1999) and 5.8 percent for Hispanics (March 1999). Monthly rates for these groups have a tendency to fluctuate somewhat, due to their small sizes in the monthly surveys of households.

[4]Record highs for these groups include an employment-population ratio of 57.6 percent for women (January 1999), 61.2 percent for African Americans (January 1999) and 64.1 percent for Hispanics (March 1999).

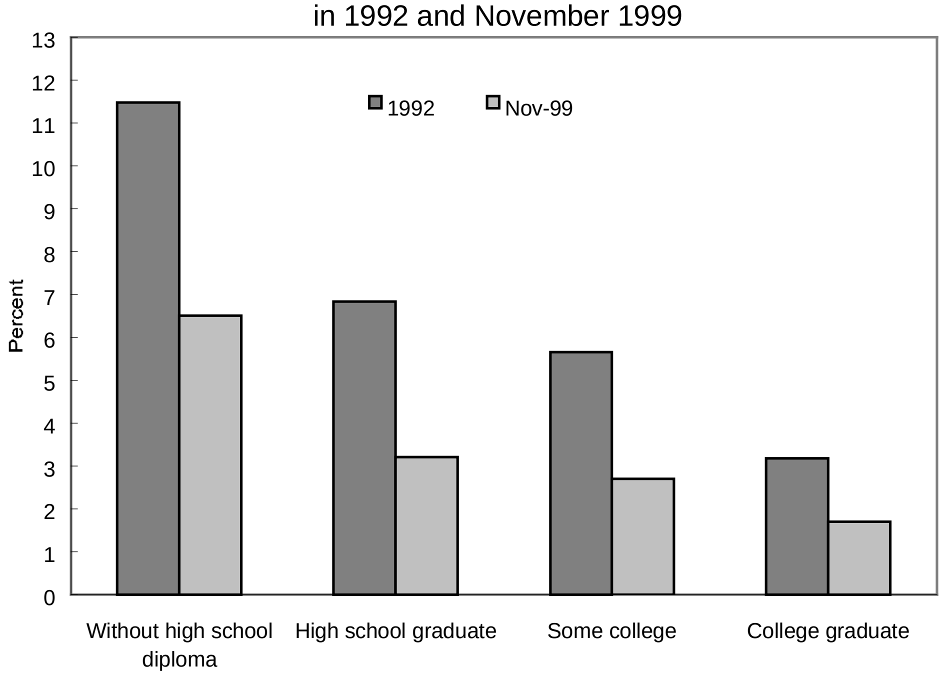
Chart 4: Unemployment Rates by Race and Ethnicity



Source: Bureau of Labor Statistics, Household Survey.

Unemployment rates have declined for all educational groups since 1992, with the largest percentage point declines in the groups with the fewest years of schooling completed (Chart 5).

Chart 5: Unemployment Rates by Educational Attainment in 1992 and November 1999



Source: Bureau of Labor Statistics, Household Survey.

THE QUALITY OF JOBS

The 20 million jobs created since January 1993 have overwhelmingly been good jobs. This conclusion is based on an analysis of employment growth in which total household employment is divided into 90 industry/occupation categories, ranked by median earnings, in order to assess where the new employment growth occurred.[5] This analysis indicates that

- 81 percent of the new jobs created from 1993 to the present[6] were in categories paying above-median wages;[7] and
- 65 percent of the new jobs created were in job categories with wages in the highest-paying third of industry/occupation categories.

Many of the good new jobs are in professional and managerial occupations, and these two categories account for almost 70 percent of college graduates in the workforce. But growth in good jobs was not confined to college graduates.

First, while roughly 77 percent of employees in professional jobs in 1998 had at least a bachelors degree, 51 percent of managers did not.

Second, the overwhelming majority of new jobs in industry/occupation categories more likely to be filled by non-college graduates are also good jobs. When professional occupations are excluded from the analysis, 71 percent of the remaining employment growth was in categories that paid above-median wages (for the categories that remained). Sixty percent was in the highest-paying third of industry/occupation categories.

Finally, the overwhelming majority of employment growth among those with a high school diploma (but no college) were good jobs. A preliminary analysis confined to this group found that virtually all of the net growth in employment was in the highest-paying third of industry/occupation categories for such workers. (Gains for the bottom third were largely offset by losses in the middle third.)

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[5] The household survey is used because the establishment survey does not contain information about occupations that would allow this kind of breakdown. The results from the household survey are used to infer where the job growth occurred. The Council of Economic Advisers and the Department of Labor earlier conducted a similar analysis of job growth between February 1994 and February 1996 based on a finer industry/occupation breakdown (see *Job Creation and Employment Opportunities: the United States Labor Market, 1993-1996,* A Report by the Council of Economic Advisers with the U.S. Department of Labor, Office of the Chief Economist, April 23, 1996). That report found that 68 percent of the net growth in full-time employment occurred in industry/occupation groups paying above-median wages.

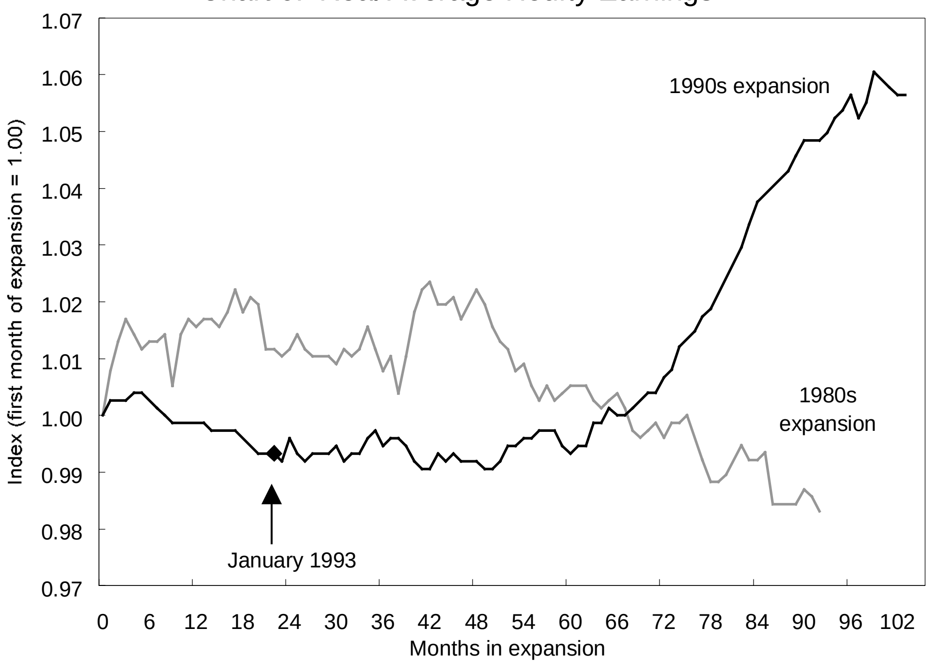
[6] Because the household data are not seasonally adjusted, a comparison of October 1999 employment levels with January 1993 employment levels might be contaminated by seasonal factors. To minimize seasonal effects and to capture jobs created in 1993-99, the analysis compares average employment in January through October 1999 with average employment in 1992.

[7] Industry/occupation groups were ranked by median earnings in the base year and separated into two groups, each containing half of total employment. Eighty-one percent of the employment growth was in the higher paying half.

WAGE GAINS ACROSS-THE-BOARD

This expansion's strong labor market has created a large number of good new jobs and it has generated rising real (inflation-adjusted) wages for most workers. Although it took some time for growth in real average hourly earnings to gain momentum in this expansion, the past 4 years have witnessed solid gains (Chart 6). By contrast, real wages declined at the end of the 1980s expansion and continued to decline in the 1990-91 recession.

Chart 6: Real Average Hourly Earnings



Source: Bureau of Labor Statistics, Establishment Survey.

Average real earnings in the United States were relatively stagnant or falling from 1979 through the mid-1990s, with low-wage earners experiencing the greatest losses of earnings and overall earnings inequality rising significantly.[8] However, the resumption in real earnings growth since 1996 has been especially evident among low-wage workers. Since the second quarter of 1996, median usual weekly earnings of full-time workers have grown by 5.3 percent. Growth was 7.0 percent at the 25th percentile of earnings, and 8.5 percent at the 10th percentile. Compared with the 1980s expansion, the growth in these earnings has been much more evenly distributed since 1994 (Chart 7).

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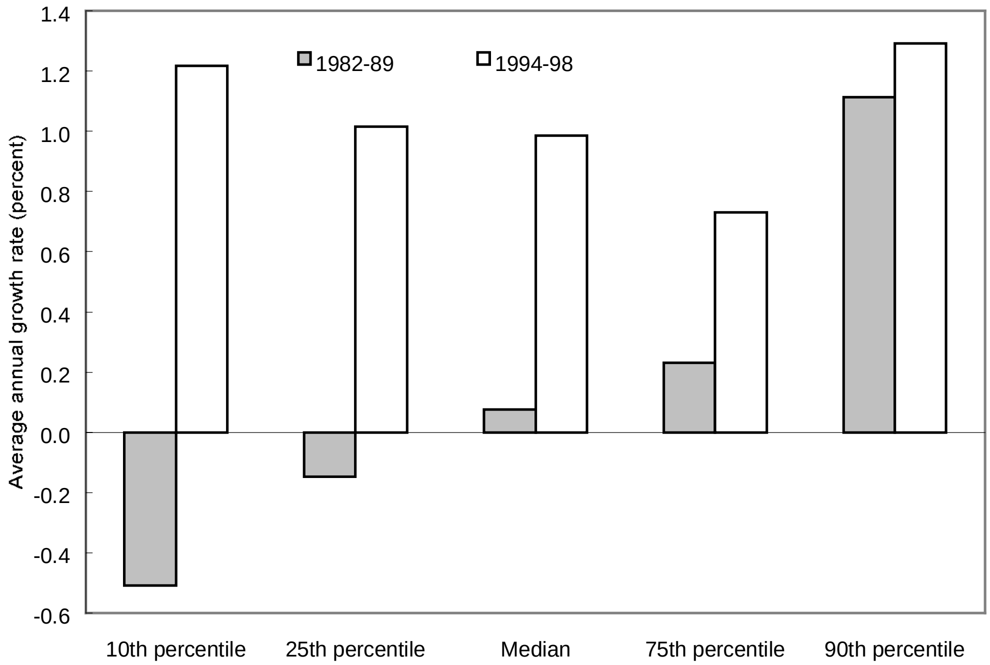
[8]Real wage data in this report are based on the official consumer price indexes (CPI) computed by the Bureau of Labor Statistics (BLS). However, methodological improvements made by the BLS would have reduced measured inflation between 1979 and 1995 by almost a half percentage point per year, on average, if they had been introduced earlier. Use of an experimental index that incorporates these changes in earlier years would raise real wage growth slightly, but not change the basic conclusions of this report.

Chart 7: Growth in Median Usual Weekly Earnings



Source: Bureau of Labor Statistics, Household Survey.

The resumption of significant real wage growth primarily reflects the return of high productivity growth, which has averaged over 2 percent per year for each of the past 3 years. Furthermore, the higher real wage growth at the bottom of the wage scale reflects other policy developments, such as the increases in the Federal minimum wage that were implemented during October 1996 and September 1997.

Finally, the increases in employment and earnings experienced by workers have resulted in rising real incomes and declining poverty rates for American families. Real median household income reached an all-time high of $38,885 in 1998. The poverty rate fell to 12.7 percent, the lowest it has been since 1979. The effects of the EITC, which are not reflected in the official money income and poverty measures, lifted an additional 4.3 million people out of poverty in both 1997 and 1998. African Americans experienced a large 15.1 percent increase in real median household income between 1993 and 1998 and the poverty rate for African Americans of 26.1 percent is the lowest ever recorded. Real median income of Hispanic households grew by 4.8 percent in 1998, and the poverty rate dropped to the lowest it has been since 1979.

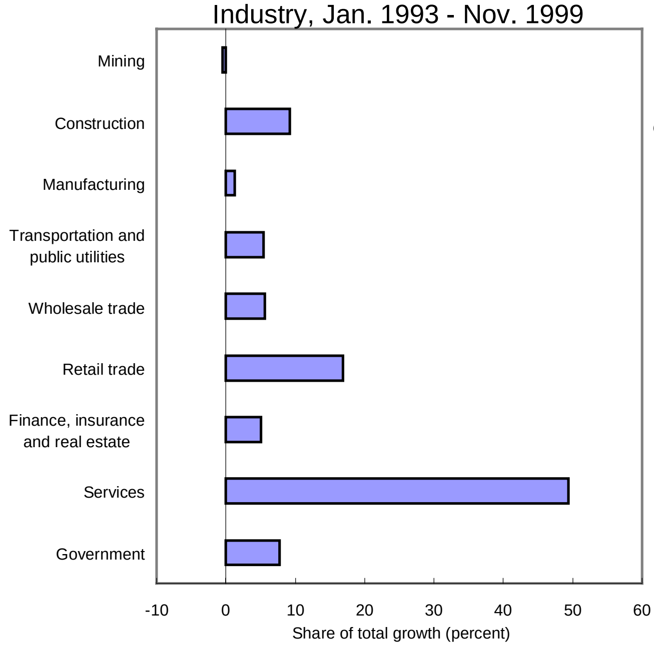
SECTORAL DIFFERENCES

An industry breakdown of the 20 million new payroll jobs that have been created since January 1993 shows that services accounted for about 50 percent of all new jobs created, and retail trade accounted for another 17 percent (Chart 8). Although jobs in the services industry are commonly thought of as low-wage, the industry is in fact quite heterogeneous, with predominantly high paying jobs. Of all jobs created in the services industry, nearly three-quarters have been in the professional and managerial occupations that pay above-median wages.

Across all industries, employment in the professional and managerial job categories is growing the most rapidly, and these two categories together account for over 60 percent of all net new job creation (Chart 9). They also account for almost 70 percent of all college graduates in the workforce, so rising employment in these occupations reflects the premium that our economy now places on the acquisition of skills.

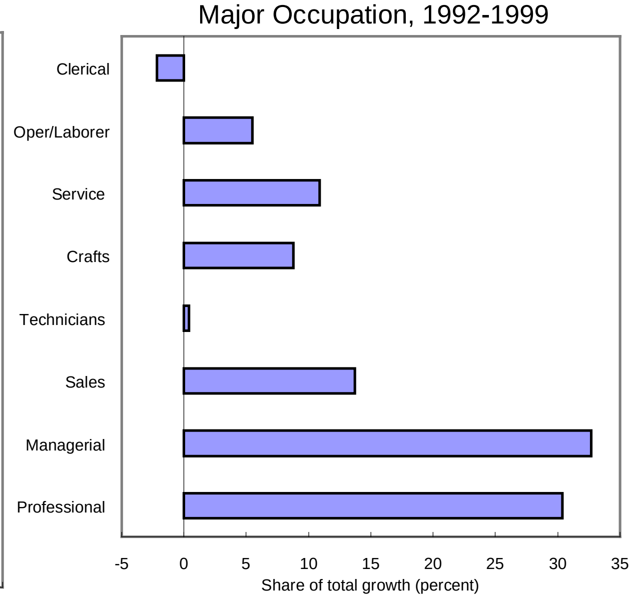
While professionals and managers experienced the highest employment growth rates, the robust growth of the economy also produced strong growth rates in high-wage jobs for those without college degrees. For example, there was significant employment growth in the sales, crafts, and operative/laborer occupational categories. This included significant growth in blue-collar jobs, reflecting the relative strength of the construction, transportation/communication, and wholesale trade sectors. Since January 1993, 1.8 million new construction jobs have been added. The annual rate of job creation in construction over this period was substantially faster than it was during the expansion of the 1980s.

Chart 8: Shares of Employment Growth by Industry, Jan. 1993 - Nov. 1999



Source: Bureau of Labor Statistics, Establishment Survey.
Note: Based on seasonally adjusted estimates.

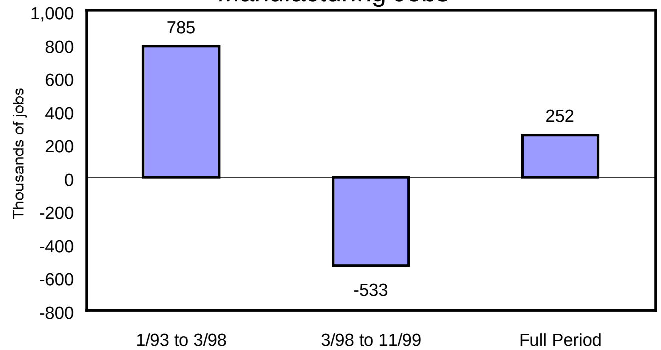
Chart 9: Shares of Employment Growth by Major Occupation, 1992-1999



Source: Bureau of Labor Statistics, Household Survey.
Note: To avoid seasonality and to be consistent with the previous analysis, these figures are based on the change between the annual average in 1992 and the 10 month average in 1999.

After declining by 3 million jobs from an all-time peak in 1979, manufacturing jobs rose by 252,000 after January 1993. However, the pattern of job growth in this sector has been uneven since then. Almost 800,000 new jobs were added between January 1993 and February 1998, but since that time roughly two-thirds of that number have been lost. This decline reflects the loss of exports to Asia since the financial crisis there, as well as stagnant exports and rising imports more broadly that reflect the strength of the U.S. economy relative to those of our trading partners. It is anticipated, however, that some of the lost jobs will return when foreign markets regain strength.

Chart 10: Change in the Number of Manufacturing Jobs



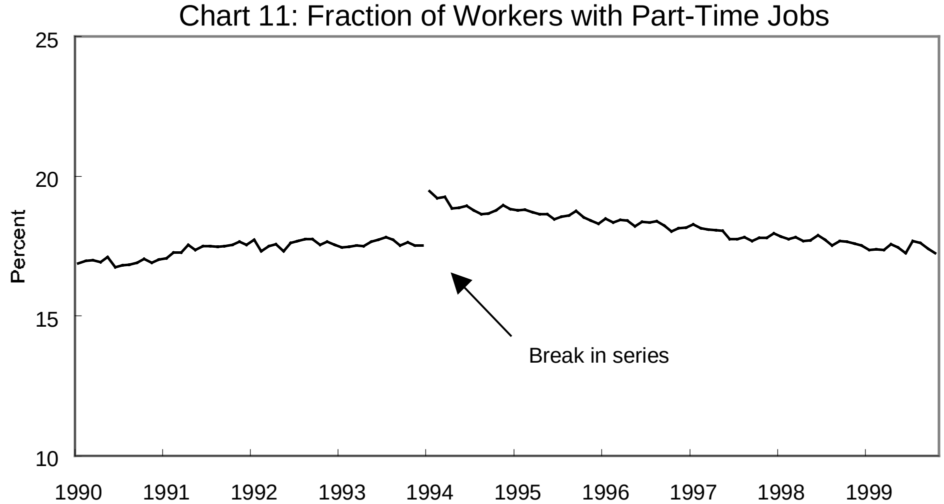
Source: Bureau of Labor Statistics, Establishment Survey.

MOST JOBS REMAIN FULL-TIME

The majority of all jobs continue to be full-time jobs. There has been no increase in the proportion of jobs that are part-time or that are secondary jobs for workers.

The proportion of employed persons reporting part-time employment has declined slightly in recent years, falling 2 percentage points since 1994 (Chart 11). Most of the decrease in part-time employment has occurred because of a decrease in those taking part-time jobs for "non-economic" reasons, such as illness or child-care responsibilities. If the new jobs were disproportionately part-time, average hours worked per job might be expected to fall. But employer data show that average hours worked for all jobs (including the new jobs) remained roughly constant: the number of nonfarm jobs and the total number of hours worked both grew

Chart 11: Fraction of Workers with Part-Time Jobs



Source: Bureau of Labor Statistics, Household Survey.

at about the same rate since January 1993. Thus, this evidence also suggests that most of the new jobs are full-time.

Multiple job holding might raise concerns about the quality of jobs created if Americans have to work two or more jobs to make ends meet. The data, however, do not indicate any significant change in multiple job holding. The percentage of employed persons working multiple jobs has remained about 6 percent since the late 1980s.

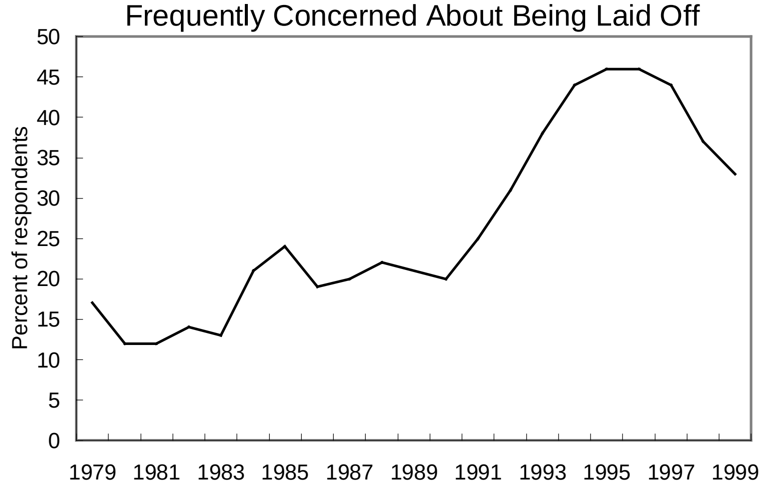
DECLINING WORKER DISPLACEMENT

In an economy characterized by rapid net job growth, the volume of new jobs vastly outnumbers the volume of job losses. But in any growing economy, particular jobs will be lost as declining firms are replaced by new, growing firms or as firms reorganize to remain competitive. Unfortunately, these kinds of job losses often generate employment and earnings losses, particularly among more experienced workers, who must then bear the costs of adjusting to new jobs. An important question is, has the rapid growth of jobs in the 1990s also been accompanied by a growth in the percent of workers who have been displaced from their jobs?

The data show an increase in the probability of displacement in the late 1980s and early 1990s, and a drop thereafter. The percent of all workers with 3 or more years of tenure who became displaced from their job was 3.9 percent in the 1991-92 period, but then fell to 2.9 percent in the 1995-96 period. Because the labor market has been so robust in the 1990s, both the rate of re-employment following displacement and earnings after re-employment have been higher in this decade than at comparable points in the 1980s.

Workers' fears of job loss have also declined in recent years. Survey results show that the percent of workers who believe job loss is likely in the next year has declined since the mid-1990s, from 12 percent in 1993 to 8 percent in 1998. A different survey, of workers employed by large firms, finds that the percent of workers who are frequently concerned about being laid off rose until 1996 and declined thereafter from 46 percent to 33 percent in 1999 (Chart 12).

Chart 12: Percent of Workers Surveyed Who Are Frequently Concerned About Being Laid Off



Source: International Survey Research.

VI. CONCLUSION

The labor market in the United States has performed extremely well over the past several years. Unemployment rates are as low as they have been in 29 years, and many demographic groups are experiencing their lowest unemployment (or highest employment) ever recorded. Welfare caseloads too are their lowest level in over 30 years as record numbers of people are moving from welfare to work. Real wages, which had been stagnant or declining for almost two decades, are now rising again, particularly among the lowest-wage workers. Real household income has reached a record high while poverty rates are declining. While the increased earnings inequality in the 1980s and early 1990s has not been reversed, the gains from economic growth are now being shared more widely.

Employment is growing in high-wage job categories. Indeed, over 80 percent of the 20 million jobs created since January 1993 are in categories that pay wages above the median, and 65 percent are in the top third of job categories ranked by median earnings.

Other evidence too suggests that the United States is creating a large number of high-quality jobs. The data show that there has been no increase in the share of employees who are working part-time jobs or the fraction of the workforce holding multiple jobs. Recent research has also indicated that job displacement rates and workers' perceptions of the likelihood of job loss have decreased in recent years.

Overall, the U.S. labor market is performing exceptionally well, but some sources of concern remain. Although manufacturing jobs are up since January 1993, in the wake of the Asian financial crisis more than half a million jobs have been lost since March 1998. However, strong domestic consumer demand, along with some stabilization in the economies of our trading partners, have led to faster growth of output in manufacturing in 1999. If output gains continue at their current pace, employment gains should follow.

While the declines in unemployment rates for disadvantaged groups are encouraging, the rates themselves remain too high. Recognizing that continued investments in education and training for these groups are essential to improve their labor market performance, the Clinton/Gore Administration has implemented initiatives such as the Youth Opportunity Movement, America's Job Network, and the President's GEAR UP initiative. The President's New Markets Initiative, which encourages businesses to tap consumer markets and labor pools in underserved local areas, also should contribute to continued improvements in employment rates for all of these groups. The Administration also believes that those who suffer displacement through no fault of their own should be guaranteed access to the kinds of reemployment services that will help them regain employment with minimal loss of earnings.

Finally, the Administration continues to pursue policies that reduce inequality and "make work pay" for all American workers, especially the least-educated. Minimum wage increases implemented in 1996 and 1997 have been one factor that has contributed to earnings growth for those with the lowest wages, and the President has proposed an additional $1.00 increase in the minimum wage over a two-year period to contribute further to strong wage growth among those who suffered the greatest deterioration in wages during the 1970s and 1980s.

The creation of 20 million jobs since January 1993 is a significant achievement. Even more encouraging is the fact that the overwhelming majority of these jobs have been good jobs. This accomplishment highlights the importance of sound policies to keep the economy strong and to invest in people.