

# Introduction | *High Anxiety*

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By some measures, the American economy has been in high gear for the better part of two decades. The stock market soared well over the magic mark of 12,000 and stayed there for months until tumbling on the news of recession in early 2008. Unemployment remained below 5% for much of this decade. Yet storm clouds began gathering in late 2007. Housing markets tanked across the country; oil prices spiked to over \$100 a barrel; and the dollar fell to historic lows, sending governments and private investors around the world scurrying to find safe havens elsewhere. The implosion of the subprime lending market and subsequent tailspin of the largest U.S. mortgage firms and major banks shook the financial markets. Firms went hat in hand to foreign lands in search of investors, leaving everything from landmark buildings to major industries in the hands of strangers.

American families sensed the instability in the air and the index of consumer confidence nose-dived in response. Presidential candidates who had been, only months before, fixated on the war in Iraq began to argue over the size of the stimulus package designed to ward off recession.

For the average family, the forest of economic indicators reviewed daily in the business press has only modest meaning. What the man and woman on main street cares about more than any other measure is the

security of their jobs. Families can tighten their belts if prices rise: put off seeing the dentist, wear those old shoes another season, forgo the trip to Disneyland with the kids. But most Americans, save those in the very top income brackets, live close enough to the edge of their paychecks that the one thing they cannot absorb is prolonged unemployment. With less than two months of their annual incomes in savings, most families simply do not have the backstop they would need to withstand months without earnings. The most fortunate can borrow against the value of their homes if they hit a bad patch, but this is a risky strategy that can end up in foreclosure (as millions of Americans learned in 2007 alone). More common, and just as deadly, they can pull out the plastic, a practice that has led to skyrocketing rates of consumer debt. But none of these stop gap measures can really shore up a family if a pink slip turns into a long bout of joblessness.

And make no mistake: the proportion of American workers who face prolonged unemployment is growing. 463,000 jobs were cut from the national payroll in the first seven months of 2008. 3.7 million workers saw their hours cut to part time, “the largest figure since the government began tracking such data more than half a century ago.”<sup>1</sup> The “R” word now appears regularly in the business press as the depth of the housing, credit, and financial market downturns becomes clear.

Since 1948, unemployment tended to peak near the end of recession and long-term unemployment (over twenty-seven weeks) crested not long thereafter. Typically this meant that it took about 1.6 months into an economic recovery for unemployment to start to come down and 8.3 months for those who were out of a job for a prolonged period to find their way back into the labor market. But starting in 2001, the picture changed in troubling ways. Unemployment now peaks much later (nineteen months) and long-term unemployment doesn’t stop rising until two years after the official end of national recessions.<sup>2</sup>

Back in the “old days” when middle-class mothers didn’t work, a family whose main breadwinner lost a job could send a second earner into the labor market to pick up some of the slack. Invariably the wife would earn less than her unemployed or underemployed husband, but the second income could become more than pin money. This is no longer a remedy for job loss in many American households because the wife is already at work and the family is consuming at a level that assumes

both incomes. As Elizabeth Warren and Amelia Tyagi have shown in their much-cited book, *The Two Income Trap*,<sup>3</sup> middle- and working-class Americans are only able to manage when both parents are locked into the labor market.

It is no wonder, then, that families are more concerned with employment stability—his, hers, and theirs—than just about any other measure of well-being. Politicians know this all too well: incumbents can just about kiss their chances good-bye if the unemployment rate rises or the news of plant closings makes headlines in swing states. In a nation of wage earners, holding on to that paycheck is essential to survival in just about all classes save the very rich.

Scholars are aware of these concerns and hence from labor economics, to sociology, to political science, interest in *actual patterns* of employment instability, in *perceptions* of the risk of job loss, and the *political consequences* of these trends (real or imagined) is central. We want to know whether the landscape of employment stability has changed as inequality has increased, who has experienced the greatest change, whether these experiences matter in the sense of security that Americans in different occupational or income groups feel, and how (if at all), these patterns impact their political preferences.

In this short volume, the authors take a crack at all of these questions and the answers they offer paint a troubling, but important picture of a country that is both uncertain of its economic security and primed to let politicians know just how serious an issue this is through the power of the ballot box. Taken as an ensemble, the chapters in this volume point to an America in which the assumptions of the past no longer hold. It is not clear whether there is a new “system” in place, now that the twenty-year attachment to a single employer has become more of a rarity for prime-age workers. The anxieties about layoffs that were once confined to the boom/bust cycles of manufacturing, and the yearly experience of millions of blue-collar workers, are now a persistent headache for educated, white-collar managers. To be sure, the higher up the income hierarchy (and the credentials ladder), the less common layoffs and long-term unemployment become. But relative to the past, the rates of these unwelcome experiences have risen, even among the well-educated and highly skilled, and this translates into things that go bump in the night.

Globalization shadows the American economy in ways that ordinary Americans have had to reckon with directly since the passage of NAFTA. What began as a shift of jobs from unionized, high-wage regions of the United States to non-union states turned into a tidal wave of jobs moving offshore. When the trend impacted blue-collar jobs, states like Michigan and Pennsylvania felt the tremors. When it began to reach computer programmers or reservation clerks, whose jobs departed Silicon Valley for Bangalore, globalization became everyone's problem. With this genie out of the bottle, American workers have become anxious not only because it hits them in the pocketbook, but because the force of international competition seems beyond the control of domestic policy. Harsh anti-immigrant rhetoric is but one symptom of the ways in which globalization has added fuel to the fire of employment insecurity, whether or not immigrants are actually creating downward wage pressures, a matter of some controversy in economics.

This volume seeks to assess the impact of employment instability on the structure of careers, on perceptions of security, and on political preferences that are changing in response to objective and subjective instability. We begin with the most fundamental question: Has anything really changed in the last fifty years; that is, are American workers actually more vulnerable to job instability now than in the past? Henry Farber and Ann Huff Stevens come at this question with different data sets and appear, at times, to disagree on what their analyses have to say on this key point. Relying on the Current Population Survey from 1973 to 2006, Farber asks whether the probability of holding a job for twenty years or more has changed across the cohorts that have passed through their prime working years. He finds evidence of dramatic change: long-term employment relations have become less common and the proportion of male workers who have held their jobs for less than a year has increased sharply. Women, on the other hand, have seen little change in the duration of their jobs in the private sector.

Many years ago, Paul Osterman showed that churning is a natural and even beneficial practice because it helps new entrants to the labor market find the right fit and when they do, he pointed out, they tend to settle down into more stable patterns of employment.<sup>4</sup> Yet even then, it was clear that minorities, particularly young black men, were churning for many more years than more advantaged workers and that they bore

“career scars,” evidence of instability that warned employers off them. When the economy improved, as it did during the so-called “Massachusetts miracle”<sup>5</sup> or during the late 1990s and early part of this decade,<sup>6</sup> these scars were less consequential. Tight labor markets put pressure on employers to take a second look at job applicants they might have passed by in slack markets. In general, though, churning—particularly job hopping that does not lead to better pay and more responsibility, that is, to upward mobility—is problematic because it signals to employers that a worker is not reliable.

Farber identifies evidence of increased churning later in life than used to be the case. Where new entrants to the labor market once settled down in their early twenties, the job-hopping process is now extending into the early thirties, and that—almost by definition—limits the experience of long-term tenure. Whether this will become a secular trend that engulfs the entire labor force is a question upon which these two chapters do not converge. Farber sees a fundamental change that is increasingly sweeping the American work force; Stevens argues that it is still a minority experience, with long tenure the majority pattern, but agrees that it is more common among younger workers.

Stevens comes at the question of employment instability through several special surveys of older men begun in the late 1960s and constructs measures of the longest job a worker has ever held. Focusing on cohorts of men who are in their late fifties and early sixties in a set of years beginning in 1969 and ending in 2004, she concludes that Farber and others overstate the change in the direction of instability. The length of workers’ longest jobs has changed very little for male workers who completed their careers during these decades. Yet she converges with Farber in seeing significant change in today’s prime-age workers, whom she argues are indeed seeing a decline in long-tenure jobs. When she trains an eye on the period beginning in 1975 or 1980, the period that coincides with a sharp uptick in inequality, she too sees evidence of a decline in the longest tenure of jobs for men. As these younger cohorts replace their fathers and mothers, the more common experience for Americans will be shorter-term job tenure. But because the labor force is composed at present of men and women who are starting and ending their careers, the majority experience today (with average job tenure of twenty-two years) may not mirror the majorities of the future.

The pattern emerging in younger workers is a consequence of increasing international competition and the wave of corporate downsizing that began to take its toll on today's labor force in the 1980s, barely pausing for a breath as we crest into the second decade of this century. That globalization is at the root of the change is reinforced by Farber's finding that we see virtually no change in the job tenure picture in the public sector, where unions remain a fixture and lifetime employment is much closer to the norm. No wonder, then, that the nation's most vulnerable workers—inner-city minorities—dream of finding “city jobs.”<sup>7</sup> Postal workers, transit workers, teachers, social workers, policemen, and firemen—these are the jobs that have been (relatively speaking) protected from the ravages of international competition and inner-city workers know them as the Holy Grail of the work world.

That goal is becoming ever harder for low-skilled and poorly educated workers, especially minority men, to lay their hands on. Benjamin J. Keys and Sheldon Danziger zero in on this population and ask how the general trends identified in Farber and Stevens have affected those at the bottom of the stratification system. This has been a dismal period for the nation's low-skilled workers by almost any measure. Real hourly wages are 9% below their 1979 levels for high school dropouts and are only 5% higher for high school graduates. The same trends that have impacted better-educated workers—declining rates of union representation, increased international competition, and skill-biased technological change—have hammered poorly educated workers.

How have these trends impacted job security for those at the bottom? Keys and Danziger note that these workers are not likely to see golden parachutes when they lose their jobs and will probably spend months rather than weeks seeking a new position. Because they begin with low wages, they may actually be less likely to experience downward mobility in terms of earnings, but this is little comfort. Drawing on the Panel Study of Income Dynamics, which permits the authors to focus on change over the last thirty-five years, Keys and Danziger show that younger, less-educated men are more likely to experience unemployment than their better-educated counterparts and once out of a job have found it harder to land new positions. Hence while the secular changes identified by Farber and Stevens matter over all, they impact particular demographic groups in the labor market differentially. In an economy that

increasingly privileges education—not only for wages and occupational prestige, but for employment stability itself—the least qualified, most stigmatized workers are feeling the turmoil more than anyone else.

Does that mean that the subjective experience of insecurity has been most pronounced for them? Yes and no. Elisabeth Jacobs and Katherine S. Newman address this question by looking at who *worries* about job loss, financial stability, and reemployment. Consistent with the structural findings in the earlier chapters of this volume, “Rising Angst?” finds that lower-income, less-educated workers are indeed more concerned about their economic security than the more privileged members of the labor force. Workers accurately gauge their chances of losing a job, finding a new one, or remaining financially stable from year to year. Educated managers know that they can draw on their skills and experience to protect themselves, relative to those who have less to offer, when heads are rolling or unemployment rises. Yet those protections are not as strong as they once were and hence Jacobs and Newman’s analysis of the General Social Survey shows that the most pronounced *change* in the direction of subjective insecurity is surfacing among the most advantaged workers.

On virtually every measure that matters, highly educated workers feel disadvantaged relative to the CEOs above them, who have seen their pay rise into the stratosphere and their stock options balloon. Relative to the titans of Wall Street, the average managerial worker feels vulnerable. Do they accept the widening inequality that has permitted the very top to pull so far away from the average worker, even the average manager? Does the American population think that government should play any role in reducing that gap? One might imagine that social norms support increasing evidence of inequality and look askance at government intervention that can dampen it. After all, from the late 1990s onward, the nation handed the Republican Party a long string of victories in presidential and congressional elections. Surely this suggests popular support for a laissez-faire perspective and the widening gaps in income and economic security that come with it.

GSS data suggest otherwise: Respondents are growing less tolerant of income inequality and are actually modestly more supportive of the role government plays in redistributing income from high- to low-earning Americans and from the rich to the poor. Jacobs and Newman point to National Election Studies data from 1992 to 2004 that reinforce this

conclusion, as support for federal welfare spending reached a ten-year high in 2002. Perhaps the tolerance for inequality has reached its limits and a reaction is setting in, driven in part by the increasing insecurity that the most advantaged workers feel about their own futures (rather than their concern for the least advantaged, which has changed very little since the 1960s).

How do these sentiments figure in political preferences? And what do they portend for the electoral landscape? These are the central questions underlying Philipp Rehm's chapter, and he shows the connection is tight indeed. People who face high risks in the labor market tend to sympathize with the Democratic Party, while people who enjoy relative stability in employment favor the Republican perspective. Cross-pressures plague those groups in the middle, who are high income but vulnerable to job loss. Rehm shows that over time income and the risk of unemployment became increasingly related to each other, a trend he calls "risk polarization." Increasing income inequality and risk polarization should give the Democratic Party the upper hand. Yet as this trend has become clearer, the emergence of the "values agenda" has become more pronounced. This, Rehm argues, is no accident. Echoing the arguments of John Roemer<sup>8</sup> and Thomas Frank,<sup>9</sup> Rehm suggests that parties likely to lose on one set of issues (in this instance, economic security) have a strong incentive to change the subject (to abortion, crime, or foreign policy). And that is exactly what we have witnessed in political debate.

Ironically, Rehm points out, the increasingly tight association of income and risk polarization decreases the role that risk exposure plays in shaping political preferences. Once we know the income of an occupation, we are pretty sure about the risks of unemployment it incurs. These two features are not as independent of each other as they once were, a phenomenon that former GM workers know all too well. Their jobs have gone south and with that, the diversity of income and risk that once defined the blue-collar experience. In its place we see a divided nation, with the well to do and relatively well-insulated facing off against the less comfortable and more vulnerable.

Since 9/11, the nation has been riveted by the consequences of terrorism and the unfolding catastrophe of war in Iraq. All eyes have been turned

overseas and away from the domestic scene. Yet there is a great deal of unfinished business at home and the election season of 2008, and the congressional elections that will follow in the future, have already kindled greater attention to the challenges we face in our own backyard. Among the most pressing for most American households is the question of labor market security, for on its back rides the prosperity and stability that underwrites the family and the prospects for succeeding generations. For the average worker, the abstractions we use to describe the dynamics of the labor market are far less meaningful than the paycheck he knows and the income she depends on. As these authors demonstrate, there is reason to worry for their futures, and they know it.

## NOTES

- 1 Louis Uchitelle, "Jobless Rate Climbs to 5.7% as 51,000 Jobs are Lost in July," *New York Times*, August 2, 2008, <http://www.nytimes.com/2008/08/02/business/02econ.html?scp=2&sq=unemployment&st=cse>; Peter Goodman, "A Hidden Toll on Employment: Cut to Part Time," *New York Times*, July 31, 2008, <http://www.nytimes.com/2008/07/31/business/economy/31jobs.html?scp=1&sq=part%20time%20work&st=cse>.
- 2 Lawrence Mishel, Jared Bernstein, and Sylvia Allegretto, *The State of Working America: 2006–2007* (Washington, DC: Economic Policy Institute, 2008), 227.
- 3 Elizabeth Warren and Amelia Tyagi, *The Two Income Trap* (New York: Basic Books, 2003).
- 4 Paul Osterman, *Getting Started: The Youth Labor Market* (Cambridge, MA: The MIT Press, 1980).
- 5 Paul Osterman, "Gains from Growth? The Impact of Full Employment in Boston on Poverty," in *The Urban Underclass*, ed. Christopher Jencks and Paul Peterson (Washington, DC: Brookings Institution Press, 1991), 122–34.
- 6 Katherine S. Newman, *No Shame in My Game: The Working Poor in the Inner City* (New York: Knopf, 1999); *Chutes and Ladders: Navigating the Low Wage Labor Market* (Cambridge, MA: Harvard University Press, 2006).
- 7 Newman, *No Shame in My Game*.
- 8 John Roemer, *Political Competition: Theory and Applications* (Cambridge, MA: Harvard University Press, 2001).
- 9 Thomas Frank, *What's the Matter with Kansas?: How Conservatives Won the Heart of America* (New York: Henry Holt, 2004).