



FEDERAL RESERVE BANK *of* NEW YORK

Regional Economic Press Briefing

May 30, 2012

The views expressed here are those of the presenters and do not necessarily represent the views of the Federal Reserve Bank of New York or the Federal Reserve System.

Job Polarization and Rising Inequality in the Region

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Job Polarization

- **Job polarization** has been reshaping the labor market over the past three decades:
 - **A shrinking middle:** a growing number of high-skill and low-skill jobs, with fewer job opportunities for those in the middle
 - **A widening gap:** rising wage inequality
- Job polarization has contributed to a sharper than average rise in inequality downstate and in Northern New Jersey



Outline

- Why has job polarization been occurring?
- What does job polarization look like in the nation and the region?
- What can be done to help workers adapt to these changes?



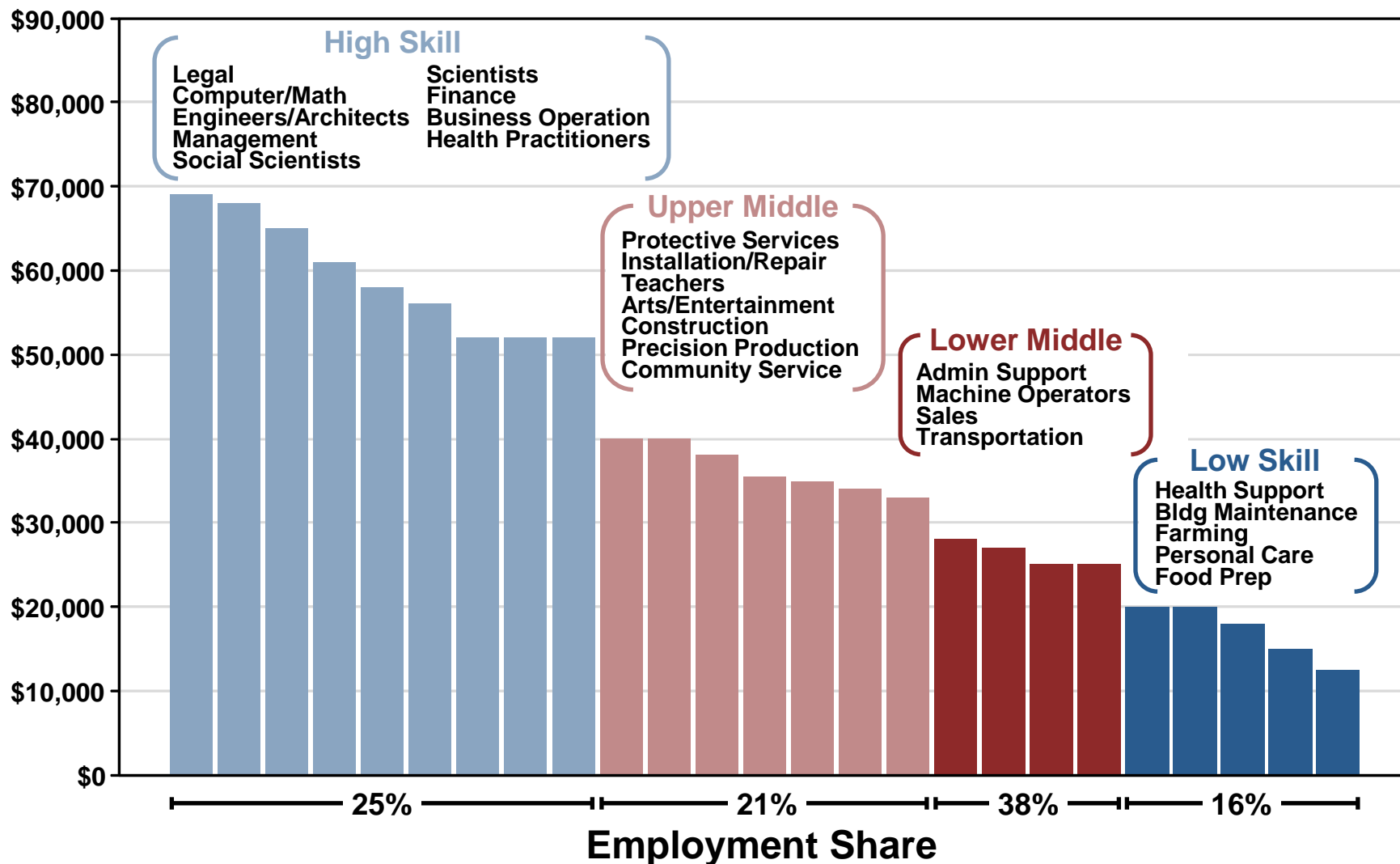
Why Has Job Polarization Been Occurring?

- Technology
 - Has displaced routine middle-skill jobs
 - Has increased the demand for high-skill workers, contributing to sizeable wage gains relative to others
 - Many low-skill jobs insulated where a person is still required
- Globalization
 - Middle-skill jobs most likely to face competition from overseas
 - Many high- and low-skill jobs insulated since they often require face-to-face contact
- The supply of college educated workers has not kept pace with demand, leading to rising wage inequality



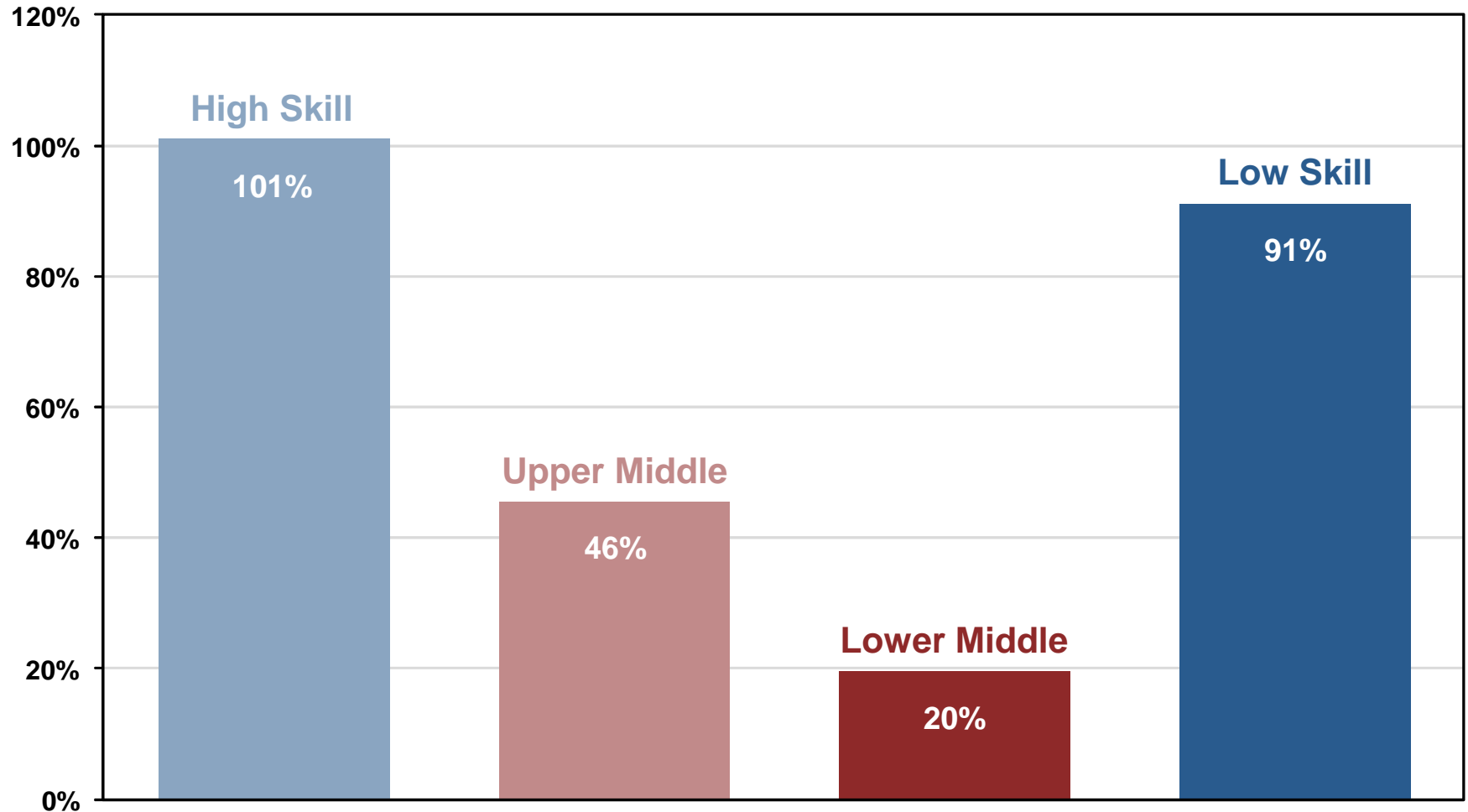
Occupations by Skill Categories

Based on 2010 Median Occupational Wage, United States



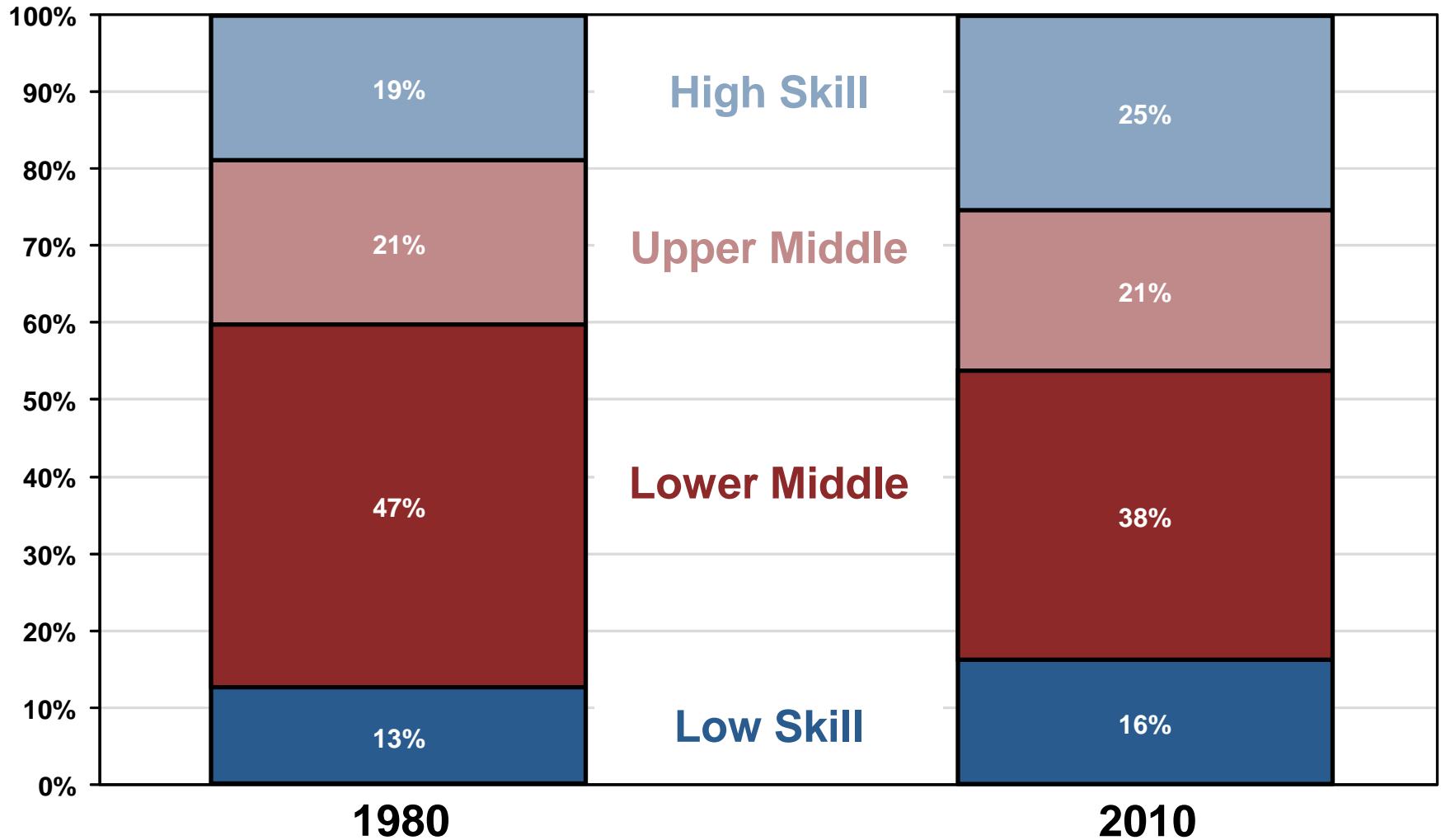
Job Growth by Skill Category

Change in Jobs: 1980-2010, United States



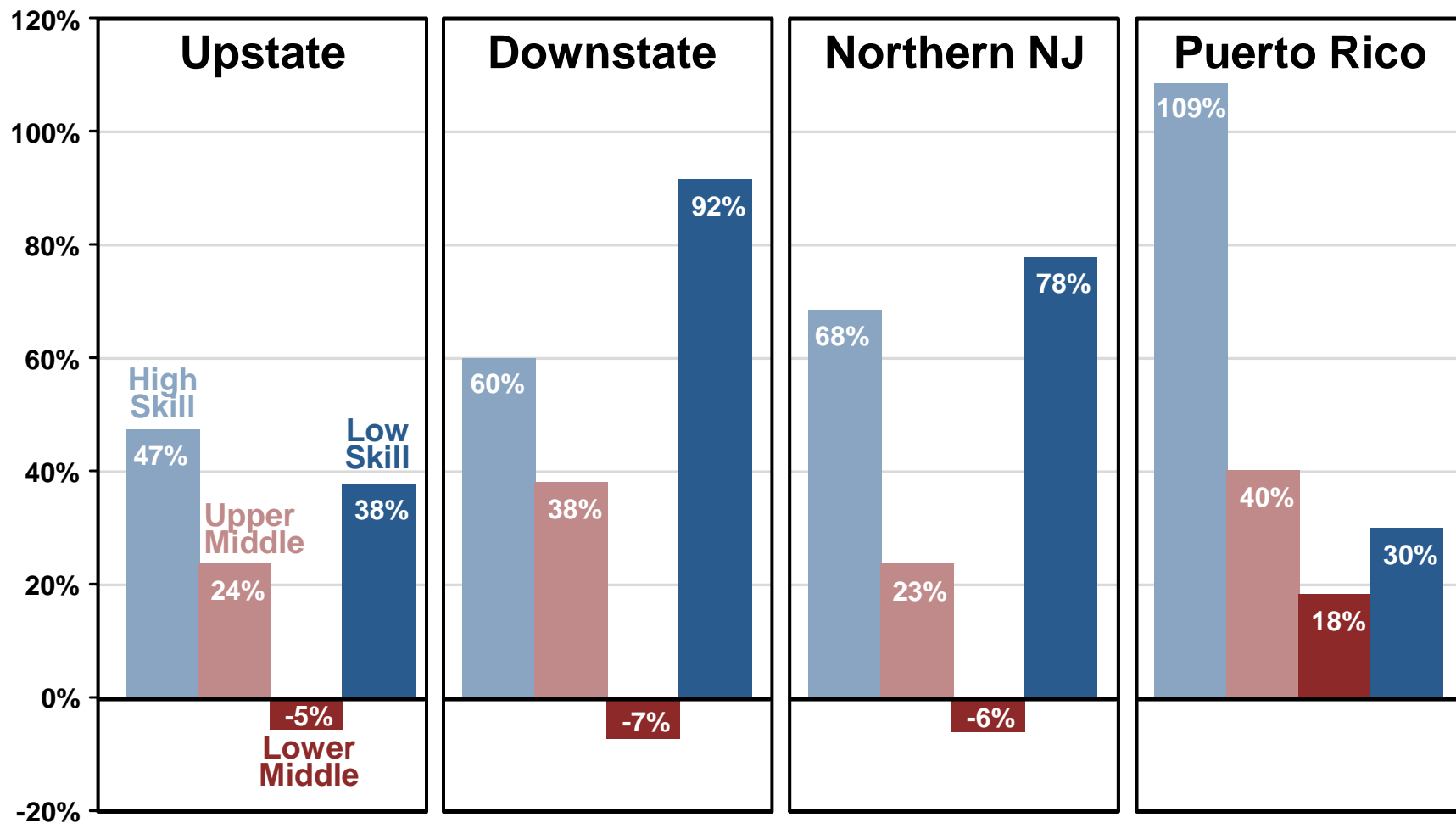
Job Share by Skill Category

1980 and 2010, United States



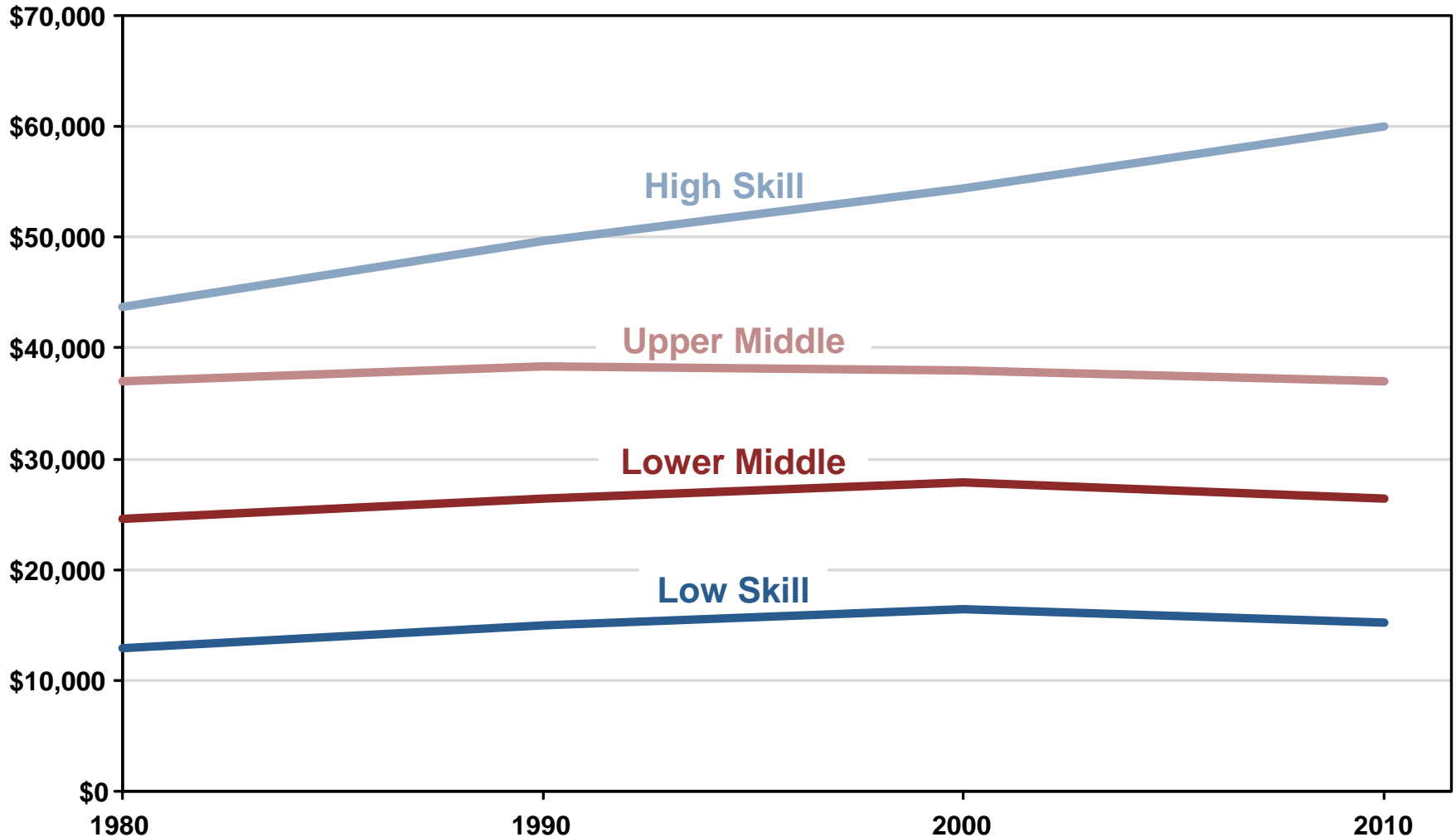
Job Growth by Skill Category

Change in Jobs: 1980-2010, Our Region



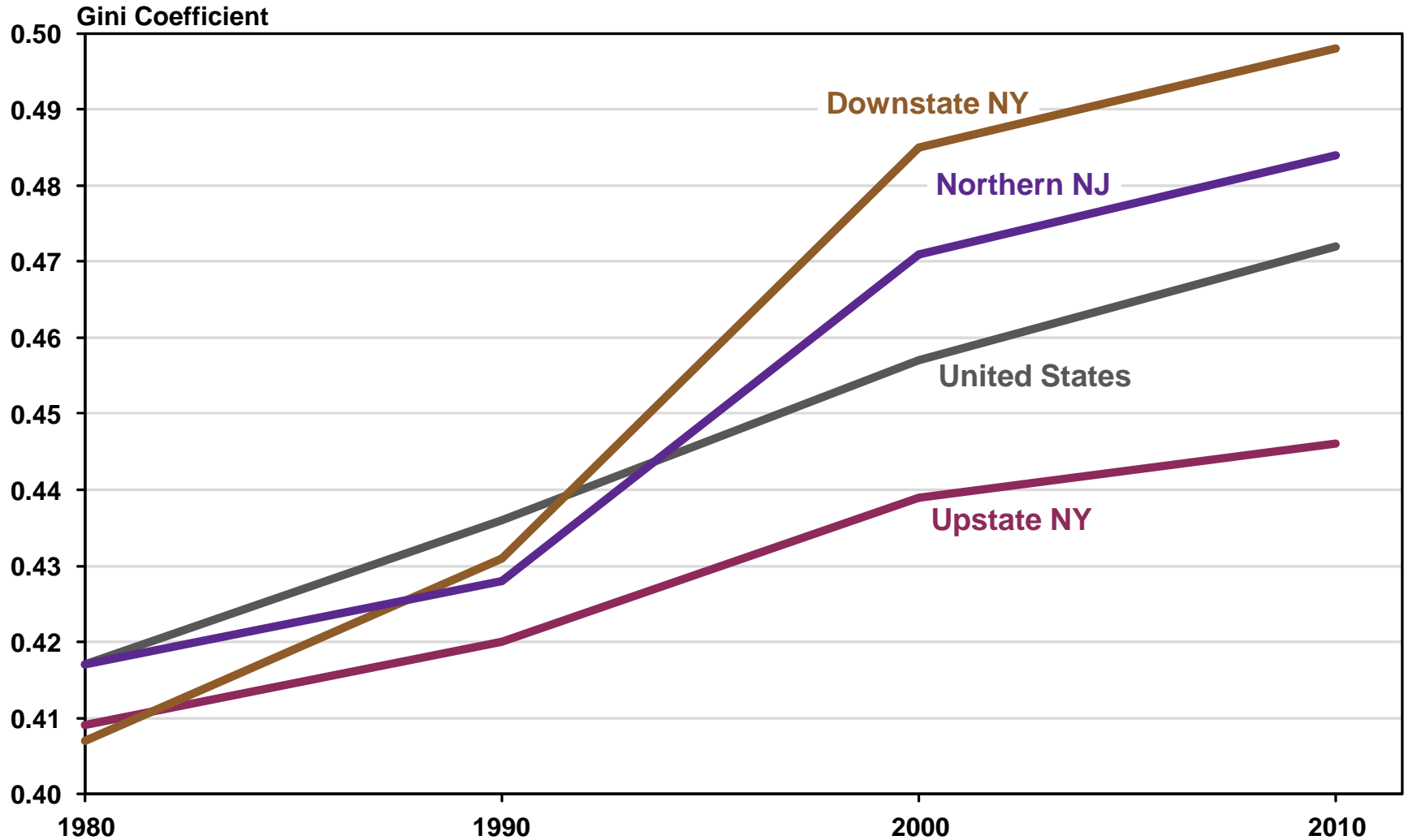
Wage Growth Primarily at the Top

Median U.S. Wage in Constant 2010 Dollars



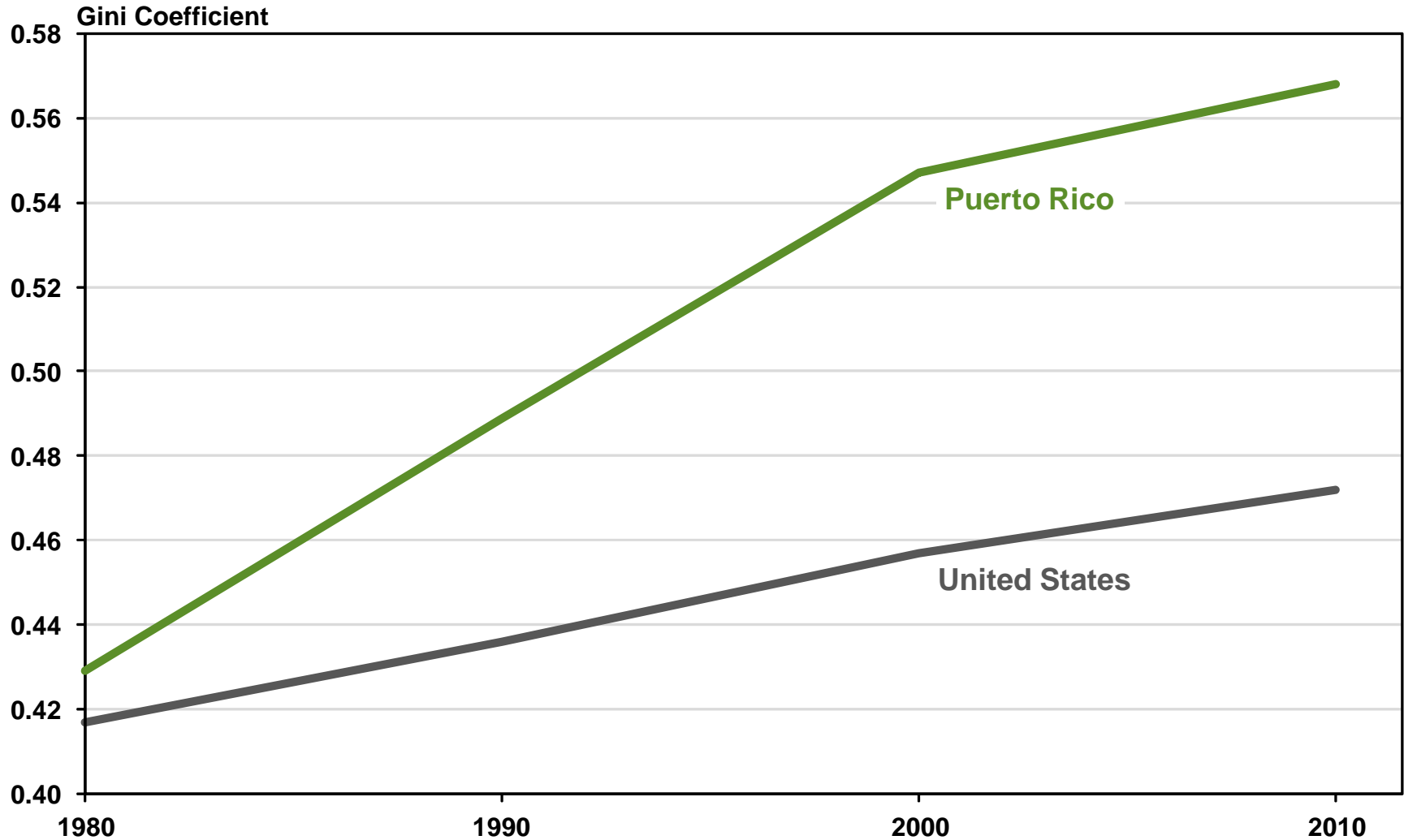
Rising Wage Inequality

Gini Coefficients



Rising Wage Inequality

Gini Coefficients



Key Trends in the Region

- Lower-middle skill jobs were particularly hard hit, while high-skill jobs and especially low-skill jobs grew the most
- Wage growth has been concentrated in high-skill jobs
- Inequality has risen across the region, particularly in and around New York City



What Can Be Done to Help Workers Adapt?

- Skill development increasingly important for workers
 - Make education choices early and wisely
 - Be prepared to continually upgrade skills through work experience, training, and education
- Education policy can help
 - Promote linkages between employers and educational institutions to better communicate skill needs
 - Expand the array of training programs for those not on traditional college path
 - Increase access to all types of college education





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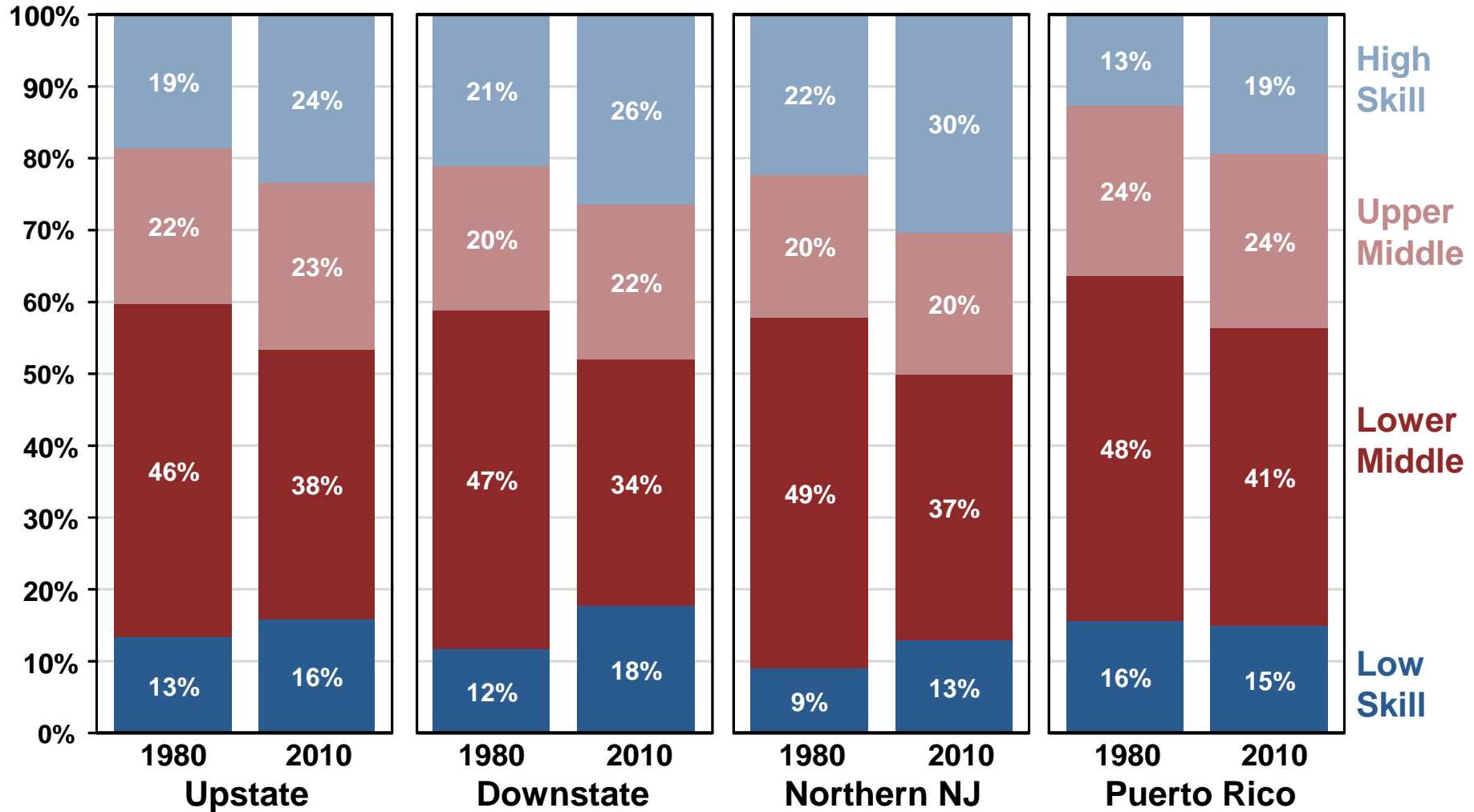
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Appendix

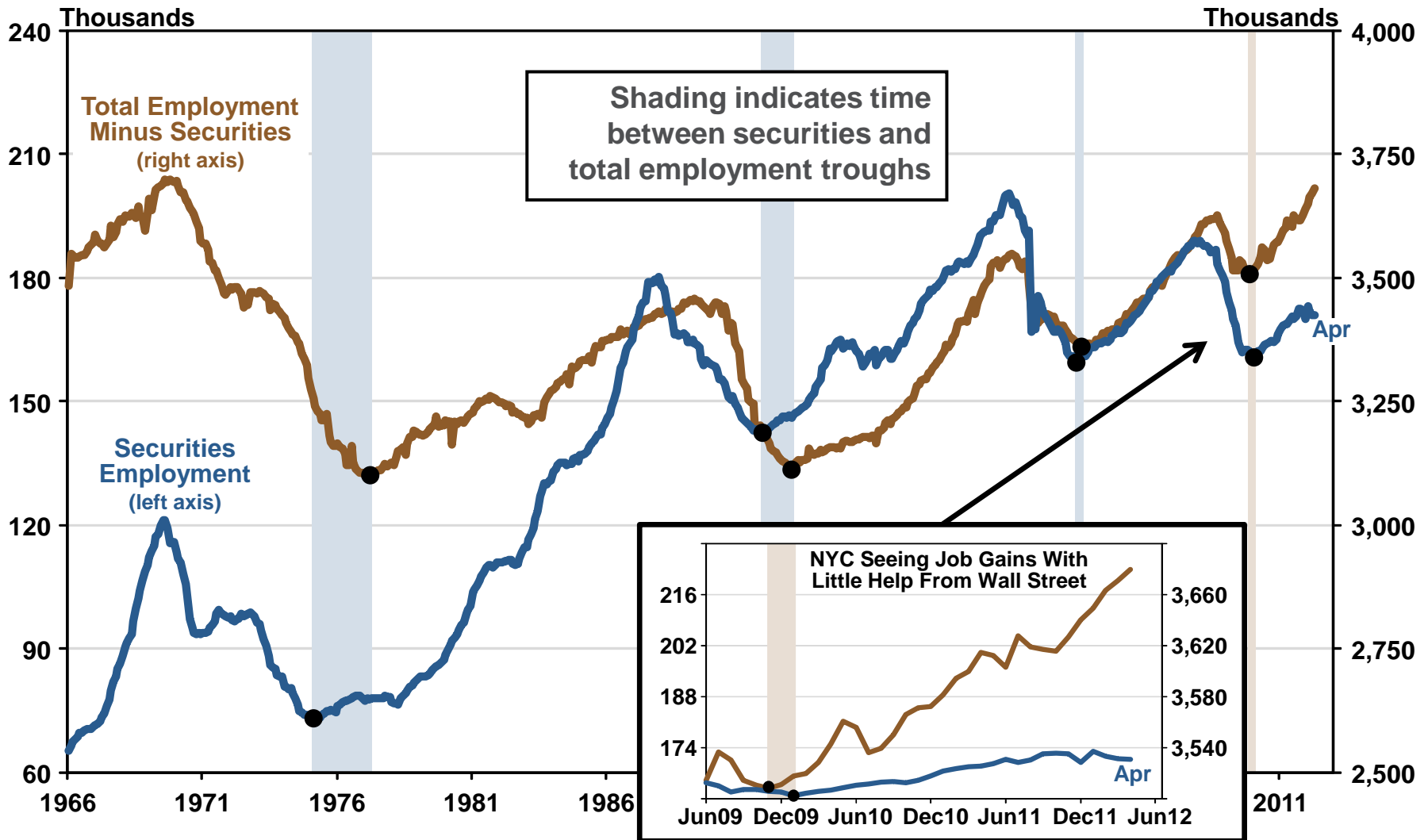
Distribution of Jobs by Skill Category

1980 and 2010



New York City Securities Employment

Seasonally Adjusted Levels



State and Local Government Employment

Percent Change, Seasonally Adjusted

