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
Richard Deitz, Assistant Vice President
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

Employment Share

High Skill
- Legal
- Computer/Math
- Engineers/Architects
- Management
- Social Scientists
- Scientists
- Finance
- Business Operation
- Health Practitioners

Upper Middle
- Protective Services
- Installation/Repair
- Teachers
- Arts/Entertainment
- Construction
- Precision Production
- Community Service

Lower Middle
- Admin Support
- Machine Operators
- Sales
- Transportation

Low Skill
- Health Support
- Bldg Maintenance
- Farming
- Personal Care
- Food Prep

Source: U.S. Bureau of the Census and Author’s Calculations
Job Growth by Skill Category
Change in Jobs: 1980-2010, United States

Source: U.S. Bureau of the Census and Author’s Calculations
Job Share by Skill Category
1980 and 2010, United States

Source: U.S. Bureau of the Census and Author’s Calculations
Job Growth by Skill Category
Change in Jobs: 1980-2010, Our Region

Source: U.S. Bureau of the Census and Author’s Calculations
Wage Growth Primarily at the Top

Median U.S. Wage in Constant 2010 Dollars

Source: U.S. Bureau of the Census, Bureau of Labor Statistics and Author’s Calculations
Rising Wage Inequality

Gini Coefficients

Source: U.S. Bureau of the Census and Author’s Calculations
Rising Wage Inequality

Gini Coefficients

Source: U.S. Bureau of the Census and Author’s Calculations
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
Regional Economic Press Briefing

May 30, 2012

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Appendix
Distribution of Jobs by Skill Category

1980 and 2010

Source: U.S. Bureau of the Census and Author’s Calculations
State and Local Government Employment

Percent Change, Seasonally Adjusted

- United States
  - June 09 – December 11: -3.0%
  - June 09 – April 12: -3.1%
- New York City
  - June 09 – December 11: -1.5%
  - June 09 – April 12: -2.1%
- New York State
  - June 09 – December 11: -1.8%
  - June 09 – April 12: -1.7%
- New Jersey
  - June 09 – December 11: -4.6%
  - June 09 – April 12: -4.5%
- Puerto Rico
  - June 09 – December 11: -8.6%
  - June 09 – April 12: -7.3%

Source: Bureau of Labor Statistics and Moody’s Economy.com