



IRLE WORKING PAPER  
#88-03  
March 2003

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Cite as: Neil Fligstein and Taek-Jin Shin. (2003). "The shareholder value society: A review of the changes in working conditions and inequality in the U.S., 1976-2000." IRLE Working Paper No. 88-03.  
<http://irle.berkeley.edu/workingpapers/88-03.pdf>



**Title:**

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**Publication Date:**

03-01-2003

**Series:**

[Working Paper Series](#)

**Publication Info:**

Working Paper Series, Institute for Research on Labor and Employment, UC Berkeley

**Permalink:**

<http://escholarship.org/uc/item/0z85d717>

**Keywords:**

Work Conditions, Pay Equity

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The Shareholder Value Society:

A Review of the Changes in Working Conditions and Inequality in the U.S. 1976 -2000

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This paper was prepared for the project entitled "The Study of the New Inequalities at Work" which was supported by a grant from the Russell Sage Foundation. I would like to thank Henry Brady, David Card, Mike Hout, and Steve Raphael for their comments on an earlier version of this paper.

## Introduction

Increases in income inequality in the U.S. over the past quarter century have been well documented (Murphy and Welch, 1992; Karoly, 1992; Freeman, 1997; Levy and Murnane, 1992; Katz and Autor, 1999). There have been three main factors to which everyone agrees. Income and wage inequality increased in the 1980s, stabilized in the late 1980s and early 1990s, then it began to increase until the late 1990s when it once again stabilized (Freeman, 1997; Lee, 1999). Generally, the workers who fared the worst in these changes were those who did not finish high school. They saw their wages relative to college graduates slip by at least 30% (Freeman, 1997; Lee, 1999; Mishel, et al., 2001). Finally, women generally saw their situation improve relative to men over the period (Karoly, 1992; Freeman, 1997). From the data, it appears as if low skilled men suffered the brunt of these changes (Lee, 1999).

There has been a lively theoretical and empirical debate over the causes of these changes (for some review articles, Topel, 1997; Fortin and Lemieux, 1997). Some have concluded that most of the change was caused by the increase in demand for skilled labor caused by technological change (Katz and Murphy, 1987; Bresnahan, et al., 1999; Krueger, 1993). Others have focused attention on institutional factors, such as the decline in unions and the lack of increase in the minimum wage (Lee, 1999; Freeman, 1997; Card, 1992). Still others have tried to examine how the continuing shift from manufacturing to services and the increased exposure to world markets has helped skilled workers and hurt unskilled workers (Freeman, 1997; Bluestone and Harrison, 1986). Finally, some have focused on how immigration patterns have depressed the wages of

low skill workers (Borjas, 1998). This debate turns very much on how one measures these factors and their effects.

A related debate concerns how work and jobs have changed in the past 25 years. Many observers argue that during the 1980s, the employment relation in the U.S. began to change for all workers (for example, Osterman, 1999; Harrison, 1999; Gordon, 2000; Pfeffer and Baran, 1988; Blair and Kochan, 2000). Firms began to redefine who their core workers were. They began to downsize, outsource, and employ more contract workers. This made workers generally more insecure, and as we will show, dissatisfied with work. This paper will review the literature on this subject and try to link these changes to shifts in income inequality.

We will provide descriptive evidence consistent with the view that work changed as income became more unequally distributed. The literature shows very clearly that not only did workers on the bottom of the skill distribution fare poorly in terms of losing ground on wages, they also had less safe working conditions, found themselves working less regular shifts, had fewer benefits such as pensions and healthcare, and lower job security and job satisfaction. In essence, the increases in wage inequality were accompanied by a growing securitization of work for those at the bottom. The evidence is somewhat different for those at the top. While they experienced more insecurity at work as well, they also benefited from the changes in employment relations. Their benefits remained more stable. For those whose incomes went up the most, there was an increase in job satisfaction and an increased sense of efficacy at work. Those with the highest incomes also had increased hours of work which they appear to mostly enjoy.

Work has become more intense for all. But, those at the top have had more opportunities to enjoy work while those at the bottom have seen their work lives grow more insecure.

Our review has the following structure. First, we consider more carefully the argument about what has changed in the employment relations of various groups of workers in the past 25 years. Then, we consider the evidence that tries and measures those changes. We will explicitly try and link these changes to changes in income inequality wherever possible. Finally, we will consider what research is implied by our review.

#### The Rise of a Shareholder Value Society, Changes in Work, and Income Inequality

There are several remarkable facts that have not been noticed by those who have worked on the problem of income inequality. First, all of the changes in working conditions that have occurred have gone in one direction: i.e. they have benefited those with skill who tend to occupy managerial or professional occupations, and against those who hold other kinds of jobs. Second, these changes occurred across every sector of the economy. While they may have begun in the hollowing out of the manufacturing sector in the early 1980s, the change in the employment relation and the structure of work is something that eventually happened everywhere in the economy. Third, it is not just that high skill workers and managers and professionals are doing better relative to other workers, but that other workers are systematically being treated worse. Indeed, it is clear that not only were high skilled workers benefiting financially, but they were enjoying

better working conditions relative to lower skilled workers who were finding themselves with lower wages **and** worse working conditions.

This suggests that there is another story one can tell about the past 20 years in America that seem consistent with these facts. The changes that have occurred in employment relations were responses to the economic crisis of the 1970s in America. The prevailing analysis of the high inflation and slow economic growth of the 1970s was that the cause of these problems was a federal government that was too intrusive, firms that had grown fat and lazy, and workers who enjoyed too many protections in the labor market (Fligstein, 2001). Government policies starting in the Carter administration began to deregulate industries like trucking and airlines to increase competition. They also began to unravel the social safety net in order to decrease labor market "rigidities".

Federal policies in the past 25 years have consistently curtailed government benefits, like unemployment insurance, welfare, and food stamps. They have made it more difficult for workers to organize, allowed firms to pay lower benefits to workers, and engage in mass layoffs. The minimum wage was never indexed to inflation and it fell steadily over time.

During the 1980s, changes in the market for corporate control promoted "shareholder value" over stakeholder rights. It was thought that management was not focused enough on profits and too focused on growth and size. In practice, this meant that management culture changed from viewing employees as partners, to viewing them as costs to be minimized. Plants were closed, some economic activities were removed offshore, others outsourced to lower cost operations (often with low wage workers working part time with few benefits), and technology was generally used to make workers less essential (Harrison and Bluestone, 1988). As a result, lower skilled workers

experienced increases in insecurity in the workplace in the form of more threat of job loss, fewer pay increases, and fewer benefits. The clear beneficiaries of the "shareholder value" solution to the economic crisis of the 1970s were shareholders and the managers and professionals who controlled the restructuring of firms. The stakeholders in firms, particularly workers and communities, lost out (Applebaum and Berg, 1996, Gordon, 2000, Harrison and Bluestone, 1988, and Osterman, 1999 all tell this story in some version or another).

There is one main ambiguity in our story. This concerns the degree to which managers and professionals were made more insecure as well as other workers. The creation of a shareholder value society meant that all workers in all sectors of the economy were potentially going to be subject to the new labor market regime. One way to tell the story is that careers for middle managers and professionals that focused on working for a single firm for one's whole life were also a victim of shareholder value (Blair and Kochan, 1999; Osterman, 1999). In this version of the story, managers and professionals just had more skills and therefore, it is not so much the case that they benefited so much in the labor market as they were able to prevent their situation from deteriorating as much as less skilled workers (Bernhardt, et. al., 2001). The other way to tell the story is that the most skilled workers were able to take control over their careers and parlay their skills into higher and higher incomes. By changing their loyalty to firms and engaging in more frequent job shifts, skilled workers were able to benefit from the more flexible labor markets of the 1980s and 1990s and raise their wages (DiPrete, 2001; Osterman, 1999).



Paradoxically, our review of the empirical literatures show support for both perspectives. All workers, including managers and professionals, experienced less job security and tougher work conditions overtime. Downsizing meant that managers and professionals were asked to work more hours at a more intense pace. But, they were highly rewarded for this in several ways. We show that managers and professionals who worked overtime came to make over 35% more than their counterparts who did not work long hours. On the whole, managers and professionals report higher job satisfaction and get a great deal of fulfillment from work. The intensification of work was rewarded by a greater feeling of efficacy at work.

Our review of the literature has brought us to the conclusion that the changes that occurred in the workplace from 1980 until the late 1990s came in two waves. The first wave occurred during the recession of the early 1980s. Large corporations closed plants, laid off blue collar workers, and moved plants offshore. This deindustrialization process, coupled with the recession, and the lack of increase of the minimum wage depressed the wages for people at the bottom of the skill distribution. This caused the largest increase in income inequality to appear (Card and Di Nardo, 2002). Wages for this group never really improved.

The second wave of reorganization occurred in and around the recession in the early 1990s. Here, downsizing hit middle managers, professionals, and other white collar workers and the services sector more generally (Farber, 1997; Schmidt, 1999; Applebaum and Berg, 1996). The effect of this downsizing was to intensify work for managers and professionals and to make them more insecure. Those who were not laid off found themselves expected to work more hours in order to replace the labor of those who were

to work for them. But as a reward, their income rises substantially. This created the idea of working "24/7" (working 24 hours a day, 7 days a week). For those who got this work, the rewards were very high. We also have evidence that now, many managers and professionals would prefer fewer, not more hours.

In sum, the larger changes in income inequality were mirrored by changes in working conditions. In general, all workers were made less secure during the 1980s and 1990s. But, there was a bifurcation of work such that the changes in employment relations affected less skilled and lower income workers more dramatically. They had lower rates of tenure on the job and experienced more frequent layoffs. Their workplaces grew more dangerous and they grew more likely to work nonstandard hours. Their health and pension benefits decreased and they had fewer hours of work. Higher income workers continued to enjoy more benefits. While many of them had to work more hours in order to make up for downsizing, they also found work more rewarding overtime. They experienced the intensification of work as a positive. They received higher wages, enjoyed work and their co-workers more, and had more opportunities to make a difference in the workplace.

Our strategy in this review is to present the evidence for changes in work in four parts. First, we consider what we know about how job tenure and job displacement has changed over the period. Second, we consider changes in part-time and temporary work as they relate to work insecurity. Then we take up the conditions of work. In the third section, we consider changes in benefits and the health and safety conditions of work. The fourth section considers changes in hours and overtime and their relationship to changes in income inequality. The fifth section looks at more subjective results on

changes in job satisfaction, personal fulfillment, and financial security. The sixth section explores the themes raised in the other sections by exploring some recent data on changes in working conditions in California.

The most difficult evidence to gather concerns the link between the actions of firms and the response of workers. We have made the case that the labor market regime in place circa 1980 came under attack as firms were pressured to reorganize and restructure. We have argued that generally, workers were forced out of more secure labor market niches and into more competitive arenas. For the low skilled, this meant more insecurity and worsening work conditions. We have argued that this also affected the most skilled workers. It put pressure on them to work harder. For some, things did worsen. But, they were often more highly compensated. The downside of this reward is that they were pushed to work more hours to make up for the layers of management who were downsized. This is a coherent story that fits the micro data on employees' experiences from the 1970s until now. But, we have little direct evidence of what exactly firms did. Instead, we (and others) use available large scale datasets to look for results that plausibly fit the hypotheses that can be generated about how we know firms tended to reorganize themselves during the 1980s and 1990s.

#### Changes in Tenure and Job Displacement, 1975 - 2001

One of the main themes in the literature on new forms of work is the growing insecurity of work. There are a number of ways to index the changing insecurity at work. If labor relations regimes have changed, then one would expect that job tenure (defined

as the time that one is employed with the current employer) would decrease for all workers, but perhaps more for blue collar and service workers. Second, and a related measure, is that one would expect there to be more job displacement for workers over time due to plant closings and downsizing. This, again, should be particularly true for blue collar and service workers. Finally, one would expect to see increases in part-time employment, temporary employment, and contract employment. This would reflect firms not wanting to make commitments to employees and avoiding having to pay benefits.

There are several ways in which changes in insecurity could be related to increased income inequality. First, less tenure on the job and more frequent job shifting implies that workers would get less on the job experience and hence have less firm specific human capital. Over time, this would also make worker's income trajectories flatter. This would translate into lower overall wages and salaries for all workers if they were equally affected. However, if job turnover was higher among workers with fewer skills (i.e., low skilled or blue collar and service workers), this could cause increases in income inequality. Second, part-time or temporary workers typically do not receive paid benefits such as health care or pensions. This increases inequality as well because full-time employees get even more income than their more temporary counterparts. We will examine this effect in the next section.

Job tenure is defined as the number of years that one is employed by the same employer. A change in job tenure over time could reflect either the choices of workers or employers. It is not the same as job displacement due to employers weakening the labor contract. Moreover, overall changes in tenure on the job could reflect changes in the age structure. So, for example, young people change jobs more frequently than older workers.

If the percentage of young workers was on the rise, then we would expect that tenure on the job in the population would be decreasing. There have also been problems in the measurement of job tenure over time. The most extensive series of data that we have on job tenure comes from the Current Population Survey (hereafter, CPS) done by the Census Bureau. Unfortunately, the wording of the job tenure question changed in 1983. Before 1983, people were asked how long they had held their current job. After 1983, they were asked how long they worked for their current employer. The problem here is that people who changed jobs with their same employer were probably underreporting their job tenure. There is another dataset that is collected by the Bureau of Labor Statistics. While it has somewhat different means, both datasets show substantial drops in job tenure for male workers of all ages during 1983 - 1998. These problems simply that one must be cautious in evaluating the data.

Schultze (1999:33) gathers the data on job tenure over time from the CPS. Job tenure dropped about 20% for workers aged 25 - 44 from 1963 until 1981. It changed little for workers 45 - 64. During 1983 until 1998, job tenure dropped substantially for all age groups. Tenure for workers 35 - 44 dropped from 6.6 years in 1983 to 4.8 years in 1998. For workers aged 45 - 54, it dropped from 11.0 years to 7.6 years and for workers aged 55 - 64, it dropped from 14.8 years to 10.7 years. The largest drops occurred after 1987. Schultze (2000:37) shows that this drop was the most severe for men, while tenure for women remained constant from 1983 - 1998.

Osterman (1999:41 - 43) presents similar data based on Bureau of Labor Statistics Surveys. He shows that between 1983 and 1998 the mean tenure on the job drops for men aged 35 - 44 from 7.3 years to 5.5 years. The mean tenure on the job for men aged 45 - 54

drops from 12.8 years to 9.4 years and for men aged 55-64 it drops from 15.3 years to 11.2 years. While his numbers are different in magnitude from those presented in Schultz, the drops in tenure are similar, in the magnitude of 25-30%. Women, in the data used by Osterman experience little change in average job tenure. Thus, our women data series shows substantial drops in job tenure over time.

There is some controversy about whether or not these "raw" data actually show a decline over time in tenure. Diebold, et. al. (1997) make the most forceful argument that what they call "retention rates" of various types of workers have not changed in the overall population from the 1970s to the 1990s. Their work is based on earlier work by Hall (1982) and Ureta (1992). These scholars argue that the average tenure on the job is the wrong measure to understand tenure because the distribution is censored (ie. we do not know how long people will continue to hold their jobs). Using a synthetic cohort approach, they calculate the retention rate for various classes of workers over time. Using this technique, Diebold et. al (1997) argue that the overall retention rate for employees has not been going down over time. Farber (1998a) using the CPS data corroborates this result for 1973-1993.

But, there is also discussion here. Neumark, Polsky, and Hansen (1997) show that overall rates of retention did decrease during the 1990s. Farber (1997b) extends his earlier analysis to 1996 and concludes "the fraction of workers reporting more than 10 and more than 20 years of tenure fell substantially after 1993 to its lowest levels since 1979". Whether or not overall rates of retention are decreasing over time, there is ample evidence that these rates did change over time for different educational, occupational, and age groups. Younger workers have experienced decreases in their retention rates over

time relative to older workers. Less educated workers have lower retention rates over time than more educated workers. Blue collar and service workers have lower retention rates than managers and professionals and their rates have decreased over time.

Another strategy to get at this question is to analyze longitudinal data in order to assess whether or not changes are occurring for the same individual over time. The Panel Study of Income Dynamics (PSID) is one source for this analysis. Unfortunately, these data have the problem of telling if a person has actually changed employers or only changed jobs with the same employer. Several studies (Rose, 1995; Boisjoly, et. al., 1998) argue that there has been a decrease in job tenure over time in the PSID. Other scholars (Polsky, 1999; Jaeger and Stevens, 1999) using different measures have concluded that overall rates of changing employers have not increased over time. But as with the other studies of retention, these studies agree that within groups, there have been changes. Lower educated, younger, black, and male workers have tended to have higher job turnover over time, thereby supporting the insecurity hypothesis.

Bernhardt, et. al (2001) use the National Longitudinal Survey of Young Men (first interviewed in 1966 and followed up in 1981) and compare it with the National Longitudinal Survey of Youth (first interviewed in 1979 and followed up yearly through 1994). These surveys have several advantages. First, they use unique employer identifiers to insure that workers changed employers in the measures of tenure. Second, they allow comparison of two cohorts as they entered the labor market. The first cohort entered the labor market in 1966 and were able to establish themselves during a period of both economic expansion and contraction. The second cohort entered the labor market at the beginning of the turbulent 1980s when insecurity was supposed to increase. By studying

these young men over time, it is possible to compare cohort experiences in the likelihood of establishing careers in a particular firm in two different periods. Finally, by studying young men, scholars can see if that group was particularly impacted by the changes ongoing in the labor market.

Bernhardt et al. (2001:84-5) show that 35% of the earlier cohort had tenure on the job less than 2 years while 45% of the latter cohort did the same for a change of almost 30%. Higher educated workers and managers and professionals tended towards longer tenure. But even in those groups, tenure decreased across the two cohorts. For example, high school graduates in the first survey with three years of tenure, had a 34% lower chance of switching jobs than similar men in the later sample (2001:86). Taken together, these results simply that overall retention rates probably fell somewhat for all workers over time.

A more direct way to assess the insecurity hypothesis is to examine more closely the reasons why workers lose their jobs. The "insecuritisation" hypothesis can be framed more narrowly around the issue of involuntary job loss. If firms had changed their internal labor market practices by closing plants and downsizing, then we should observe high rates of dismissal for these reasons over time. A second part of this hypothesis is that this was affected blue collar workers during the 1980s more frequently and managerial and professional employees more frequently in the 1990s.

Probably the most careful study of this was done by Farber (1997a) using the Displaced Worker Surveys (DWS) conducted every two years by the CPS from 1984 - 1996. Displacement is defined as the involuntary separation based on the operating decision of the employer. Events such as a plant closing, a layoff without recall, or an



employer going out of business counts as displacement, while quits or being fired for any other reason is not considered displacement. Farber looks at job loss in the past three years as his measure of displacement. There were several changes in survey and questionnaire design that affect the ability of the analyst to compare survey results. Still, these are the most systematic datasets available on job displacement for all workers.

Not surprisingly, job displacement was related to the general state of the economy. During the recessions of 1981-3 and 1991-3, there were high rates of job displacement than during 1983-1991 when the economy was better. There was one important piece of evidence for an increase in job insecurity. During the 1993-5 period, a period of relative growth in the economy, job loss due to displacement was the highest over the whole period (Farber, 1997a:72). During all of the periods, younger and less educated workers were more likely than older and more educated workers to lose their jobs. The overall pattern of job loss relating to economic conditions held across age and education groups.

There were some interesting differences by occupation and industry. Managers were more likely to lose their jobs during the 1991-1993 recession than during the earlier recession of 1981-83. The opposite was true for crafts, operatives, and labor. This evidence is consistent with the idea that in the 1981-3 recession, the most vulnerable workers were those in blue collar occupations, while managers were a more likely target during the 1991-3 recession. Professional and technical and sales workers also appeared to have high rates of job loss during the 1991-3 recession. Farber concludes (1997a:77) that the data seem consistent with the interpretation that the first wave of corporate reorganization involved the permanent closure and downsizing of production facilities

and the second wave involved downsizing more white collar corporate functions. There were industrial differences in job loss during the two recessions. Manufacturing had higher losses in the earlier recession. Finance, real estate, insurance, nonprofessional services, and professional services all had higher job loss rates in the later recession. Thus, the earlier recession was centered more on manufacturing firms and workers and the later recession on white collar and service firms.

There is other evidence that white collar employment declined more during the corporate restructurings during the late 1980s and 1990s. Boisjoly, et. al. (1998) show that involuntary job loss increases during the 1980s and 1990s relative to the 1970s for managerial/professional and highly educated workers using the PSID longitudinal data set. Their results are similar to Farber's. Aaronson and Sullivan (1998) analyze the Displaced Worker Survey and the General Social Survey data to explore this issue. They show that displacement rates of college educated workers get close to those of non college educated workers during the 1990s. They also show that blue collar and white collar displacement rates begin to close as well. There is some convergence for these groups in whether or not people think they will lose their job in the next 12 months and if they will have difficulty finding a comparable job. They conclude that during the 1990s, educated and white collar workers became more insecure at work both objectively and subjectively.

It is useful to summarize these results before considering their effects on inequality. There is some evidence that job insecurity defined as decreases in tenure and increases in job displacement occurred over the past 20 years for all workers. There is some debate over whether or not overall rates of tenure have decreased. The raw data

seem to show that rates of tenure decreased substantially for men, but not for women. There is agreement that rates of tenure declined more for younger, less educated, and blue collar or service workers than for older, more educated, or professional/managerial workers overtime. This is a kind of new inequality in the workplace.

There is strong evidence that job displacement is related to the business cycle. But, there is also evidence that the reorganization of work and probability of job displacement occurred in a two-step fashion. The recession of the early 1980s affected blue collar and service workers and workers in manufacturing more while the recession of the early 1990s affected white collar workers and workers in service industries more. Thus, the reorganization of firms began in manufacturing and spread over the subsequent ten years to white collar and service industries. While rates of displacement for more educated and white collar workers remain lower than for blue collar and service workers, they rose substantially during the first part of the 1990s.

An important question is how these patterns of change in job tenure and job displacement affect wage inequality. Here the literature is more consistent. Studies that use the DWS show that workers who lose their job through displacements suffer substantial periods of unemployment and that earnings on new jobs are well below earnings on previous jobs (Podgursky and Swaim, 1987, Kletzer, 1989, and Topel, 1990). Farber (1993) demonstrates these effects are relatively constant during the 1981-3 and 1991-3 recessions. In a later paper, Farber (1997a) shows that job loss has increased during the mid 1990s and its costs are substantial for all workers. Overtime, highly educated and white collar workers have become more vulnerable to job loss and their pay losses have increased. They still have an advantage over other workers and experience

less of a pay loss when they are displaced. Since the rates of job displacement and the loss associated with job displacement are quite different for educated and white collar workers than less educated and blue collar and service workers, insecurity on the job is a source of earnings inequality. Polsky (1999) confirms these results using the PSID.

Bernhardt, et. al. (2001) produces similar results using the NLS studies. They show that displacement has both short term and long term effects on earnings. They also show that workers without a college degree in the recent cohort are more likely to have less tenure and experience and more job displacement than their counterparts in the earlier survey and therefore experience much less earnings growth (2001:130). Generally, the winners in the recent cohort were those with a college degree, in managerial and professional occupations, and in high end service industries. They did better than their counterparts in the first survey because they experienced less job displacement and more tenure, and of course, received higher returns to their schooling (2001:145).

#### Changes in Involuntary Part-time, Temporary, and Contract Work

One other way to measure insecurity on the job is the increase in involuntary part time and temporary or contract work. Recent reviews of this literature appear in Pfeffer and Baran (1988) and Kalleberg (2000). There are two dimensions of work that structure our ways of classifying employment relations. First, scholars typically distinguish full time from voluntary and involuntary part time work. Full time work has usually been defined as working 35 hours a week or more while part time work is defined as working less than 35 hours a week. Many part time workers choose to work part time either

because of schooling, age, or family constraints. Workers who only want parttime hours are called voluntarily parttime. So some workers want more than 34 hours a week but cannot find it. These workers are called involuntarily parttime. These two dimensions of work that describe employment relations is the nature of the labor contract with the employer. Most workers are employed and paid by a particular employer. There are three main classes of other types of work arrangements: contract, other self-employed, and temporary. Contract employees are independent contractors, consultants, and freelance workers. Many of these workers are highly educated and well paid. Other self-employed is a residual census category that refers to workers who claim to be self-employed but do not identify themselves as a contractor. Many of these people own small businesses. Temporary workers identify themselves as working in a temporary job. They may be working for an employment agency, operate on a contract basis, or day laborers. If one cross classifies the two dimensions, one can see, for example, that workers can be part time but a regular employee.

Most analysts argue that firms began to use more parttime and temporary workers in the 1980s. It turns out that this is not entirely true. Part-time workers in the U.S. grew from about 13% of the labor force in 1970 to 19% in 1993 with most of the growth occurring during the 1970s (Tilly, 1996). Osterman (2000: 197) cites CPS data and shows that in 1979, 13.8% of men and 21.4% of women work parttime. In 1983, the figures were 13.8% of men and 21.4% of women and in 1993, they were 13.3% and 20.0%. There was a change in the definition of parttime work in 1993 and subsequent CPS figures are not directly comparable. In 1997, the overall parttime rate was 17.7%

(Stinson, 1997). Thus, part-time employment has not changed very much since 1979 for men or women.

What has changed is involuntary part-time employment (Blank, 1990: 125). In 1979, the rate was 3.7% for men and 4.9% for women. In 1993, this had risen to 5.5% for men and 6.4% for women (Osterman, 2000: 197). Nardone (1995: 286) shows that the biggest rise in involuntary part-time employment occurred during the recession of 1981-83. While involuntary part-time employment dropped a little during the 1980s, it remained substantially higher than during the 1970s and continued to remain at a high level during the recession of 1991-3. To conclude, the part of the insecurity story that is supported by the data is not that more people are working part-time, but more of the part-time workers wish they were working full-time. The largest increase in involuntary part-time employment occurred during the 1981-3 recession and this high rate persisted.

Increases in contract, other self-employment, and temporary work overtime are hard to track. We know that the fraction of workers who report in the CPS that they are self-employed has not changed much in the past 20 years (Kalleberg, 2000). There has been some increase in the percentage of people who work as contractors overtime (Clinton, 1997). In 1997, self-identified contractors made up 6.7% of the labor force (Cohany, 1998). There is more information about the growth of workers in the temporary category. In 1956, there were only 20,000 employees in the temporary help industry (Gannon, 1984). In 1972, the industry had 3% of the labor force and in 1998, nearly 2.5% of the labor force (Kalleberg, 2000: 346). Temporary work fluctuates with the business cycle. When the economy is growing, temporary work grows and when it shrinks, temporary workers are laid off. Temporary workers operate as a kind of "reserve army of

the proletariat" (Appelbaum, 1987). Golden (1996) shows that the growth of the use of temporary workers from 1982 - 1992 tripled. Golden also shows that the main reason this occurred was the preferences of firms for temporary workers.

The CPS undertook a direct study of employment arrangements in 1995 and 1997. Osterman (2000:58) shows that the surveys show little change in the number of contingent work arrangements between 1995 and 1997. Farber (1998b) extensively analyzes this data. He shows that 84.7% of workers are working full time while 15.3% are working part time. Of the part time workers, 4.5% are involuntary. 82.5% of workers have regular employment relations: 5.9% identify as contractors, 5.4% as other self employed, and 6.2% as temporary. He also presents a table that cross classifies part time and full time work with the various forms of employment contracts. Not surprisingly, people who are contractors, other self employed, or temporary are 3 to 4 more times likely to report being involuntarily part time employed. Temporary workers are most frequently part time, but a large number of those workers are voluntarily part time. The main purpose of Farber's paper is to see if people who have become temporary workers are more likely to have taken those jobs because they were laid off. He confirms that workers who were job losers in the past three years were more likely to not have permanent jobs and most likely to be temporary workers. Farber (1998b) also presents evidence that for many workers, being a temporary worker is a temporary status.

The data on the role of part time and temporary work presents a mixed picture for the growth of insecurity in the labor force. There has not been any large increase in the number of people who work part time since 1980. There has been some growth in the number of workers who are involuntarily part time. These workers are often temporary

workers. But, during the 1990s, it appears as if temporary work and the percentage of workers who work involuntarily parttime have stabilized. Temporary work is about 2.5% of the labor force and involuntarily parttime about 5% of the labor force. Thus, there has been growth in the use of nonregular employment relations over time, but the growth is from about 2% in 1979 to 5% of the labor force in the mid 1990s.

Work in the past 20 years has grown more insecure. Job tenure is down for everyone and the possibility that workers will have to take temporary work or work involuntarily parttime has risen. The recession of the early 1980s hit blue collar and service workers the most and the recession of the early 1990s hit white collar workers more substantially. Still, workers with higher education and managerial or professional jobs have long tenure, less likelihood of losing those jobs through displacement, and are less likely to face temporary or involuntary parttime work than their less educated and blue collar and service counterparts. We do know that the more privileged groups certainly maintain high rates of tenure and low rates of insecurity. Insecurity at work is a form of inequality that affects more skilled and managerial/professional workers less than their counterparts.

### Growing Inequality in Benefits and Health and Safety at Work

The changes in these security of work were mirrored by changes in benefits and health and safety at work. Over time, health and pension benefits decreased for all workers. But, temporary and parttime workers, and blue collar and service workers saw



their access to benefits decreased the most. Further, health and safety issues at work were also related to changes in inequality.

We begin by considering health insurance and pensions. The strongest relationship between being offered these benefits at work and other work-related measures is whether or not a person works full or part time. So, for example, Blank (1990) reports (using the CPS) that in 1987 only 16.7% of part-time workers were included in pension plans while 54.3% of full-time workers were included in pension plans. Only 22.6% of part-time workers had health care benefits while 76.1% of full-time workers had health benefits. Full-time workers were at least 3 times more likely to have health and pension benefits as their full-time counterparts.

Wolfe, et al. (1995) use various data sources to try and piece together changes in health benefits from 1980 - 1994. They show that in 1980, 78.8% of families have private health insurance. This drops to 76.9% in 1984, 76.6% in 1989, and 70.1% in 1994. More importantly are figures that relate health benefits to income. They show that 38.6% of low-income families have health insurance in 1980 and this decreases to 24.7% in 1994. This compares with 93.7% of high-income families in 1980 who have health insurance and 92.7% who have health insurance in 1994. Thus, during the period of greatest change in insecurity, the lowest income groups saw its ability to have health insurance erode significantly, while the highest income groups saw a slight drop in coverage. This is evidence for an increase in inequality.

Farber and Levy (1998) have updated the trends on health insurance coverage to 1997. Using CPS data, they show that overall private insurance coverage decreases from 1979 from 73.4% to 71.3% in 1988, 67.7% in 1993, and 67.4% in 1997. The largest drop

in insurance coverage appears between 1988 and 1993. The drop is almost entirely a product of the private sector lowering its rate of offering insurance from 69.1% in 1988 to 64.1% in 1993. Farber and Levys show that most of these declines occur for workers who are either in new full-time jobs (of duration less than a year) or part-time jobs. For new full-time workers, the rate decreased from 84.1% of workers in 1988 to 78.1% in 1997. The rate of health insurance for part-time jobs in 1988 was 58.6% while in 1997, it fell to 35.5%. Farber and Levys show that 80.6% of college graduates in 1979 had health insurance and this dropped to 76.0% in 1997. The largest drop was from 1988-1993. For workers with only a high school education, their rate of health insurance dropped from 71.4% in 1979 to 61.6% in 1997. In the past 20 years, one can conclude that health insurance coverage declined for everyone, but was focused mostly on lower income or part-time workers. The largest drop occurred during the 1989-1993 period and the workers who took the brunt of the changes were part-time and newly hired workers.

Gustman and Steinmeier consider pension benefits at 3 points in time, 1969, 1980, and 1992 using the Health and Retirement Study. They present a "good news - bad news scenario". The good news is that all classes of workers received more pension benefits over time. The bad news is that the top half of the wealth distribution received more and larger increases in both absolute and relative terms than the bottom half of the distribution. So, for example, the top 10% of the wealth distributions saw its real pension benefits double between 1969 and 1992, while the bottom 10% saw its benefits increase by less than 10%. For the wealthiest households, pension benefits increased substantially during both the 1970s and 1980s. But for the bottom 10% all of the gains occurred during

the 1970s and there were almost no gains during the 1980s. Thus, inequality in pension benefits increased over time and increased the most during the 1980s.

Hammeresh (1999) tries to examine evidence about how what he calls "workplace amenities" changes over time. He is interested in two types of change: increases in rates of accidents and increases in working even on evenings and nights. Using CPS and BLS data, he constructs a time series on lost days due to workplace injury over time. He shows that workers in the top half of the earnings distribution experience lower rates of accidents than workers in the top half of the distribution and the difference between the groups becomes more pronounced over time. As earnings inequality has increased, the safety of work has decreased for those at the bottom. Using the NLSY, he shows that the amount of lost workdays due to injury on the job is about four times higher in 1994 for the lowest quartile of the earnings distribution than the highest quartile (1998:1108).

Hammeresh next considers the issue of workers having to work night shifts. He shows using CPS data that from 1973 until 1991, the incidence of evening and night work changes substantially for the workers with the lowest as opposed to the highest earnings. Hammeresh also calculates the income value of these disamenities. He demonstrates that they contribute to the growing inequality between workers at the top and the bottom of the earnings distribution.

Presser (1995) explores the issue of nonstandard work hours more thoroughly in the 1991 CPS data. 40.1% of all U.S. workers in 1991 did not work standard Monday-Friday 8-5 schedules. She shows that 62.3% of part-time workers work nonstandard schedules (i.e. weekends and evenings and nights) while only 33.6% of full-time workers do. 36.1% of those working nonstandard schedules do so voluntarily while 58.7% are

required to do so by their employers. Not surprisingly, blue collar and service occupations are more likely to work nonstandard work schedules than white collar occupations. However, professional and managerial occupations do report working nonstandard hours as well.

Benefits, occupational safety and nonstandard work hours are other types of workplace amenities. During the 1980s and into the 1990s, employers generally lowered benefits for most workers and increased nonstandard work hours as well. But, these changes fell disproportionately on those with lower incomes or skills. Pension benefits, which increased from 1969 - 1992, went mostly to the top of the wealth distribution. Healthcare benefits also declined the most for those at the bottom of the earnings and skill distribution. Perhaps most disturbing was the increase in occupational injuries amongst those at the bottom of the earnings distribution relative to those at the top. Nonstandard work schedules proliferated for all workers but were more heavily concentrated amongst blue collar and service workers. Part time workers, in particular, bore the brunt of many of these changes. The amenities associated with work shifted to favor those who were at the top of the income/skill/occupational distribution relative to those at the bottom.

### Hours of Work and Income Inequality

The issue of how work hours have changed in the past 20 years is a matter of some controversy. Schor (1992:29), using CPS data argues that yearly hours of work increased from an average of 2054 to 2152 for men (a difference of 98 hours) and from

1406 to 1711 (a difference of 305) for women from 1969 to 1987. She shows that men increased work hours slightly, but increased weeks worked substantially. Women increased both hours and weeks worked. Mishel, et. al. (2001) show hours of work per year increased during the 1990s. They report that between 1979 and 1999, this was mostly a function of increase in weeks worked.

Coleman and Pencavel (1993a) use the decennial census and the CPS to show that median work hours for men were virtually constant, undermining Schor's results. Coleman and Pencavel (1993b) do document the rise of hours of work for women. Robinson and Godbey (1997) argue that the reported hours in the CPS overestimates real work hours. They show, using time diaries that in 1965 and 1985, people systematically overreported their hours worked. They also show that this overreporting increased from 1965 to 1985. Hout and Hanley (2002) re-analyze the CPS data. They show that one of the main differences between Schor's and Coleman and Pencavel's results is that the main way hours increased is because the increase in weeks worked. They argue that the relevant unit of analysis is the household. They convincingly show that most of the action in household hours is in the increase in hours of working women overtime.

More important for our argument is the role of hours worked in processes of inequality. Here, the research is more consistent. It supports the view that during the 1980s and 1990s, hours of work increased the most for educated workers and those with professional and managerial occupations. This is consistent with our hypothesis that these employees faced pressure to increase their hours of work as firms downsized. Pencavel (1998) uses the PSID to estimate work hours overtime for women. He shows that hours worked is highly related to education. During the 1970s, women with a college degree

worked virtually identical hours to women with just a high school degree. But by the mid 1990s, this had changed. College educated women worked 1758 hours a year in the 1970s but by the mid 1990s were working 1925 hours a year. Their counterparts with just a high school degree were working 1727 hours in the 1970s and 1740 hours in the mid 1990s.

Coleman and Pencavel (1993a,b) confirm these results using decennial census data and the CPS. They show that for men with less than a high school degree, hours of work decrease from 2033 in 1980 to 1909 in 1988, while hours of work for men with a college degree, increase from 2114 in 1980 to 2243 in 1988. Women with less than a high school degree compared to women with a college degree show a similar pattern. These patterns reverse historical patterns whereby hours of work were lowest in the 1940-1970 period for college educated workers and higher for workers with less education.

Costa (2000) uses various state level sources of data to compare work hours between workers of different income levels. She shows (2000: 162) that in 1973, the top 10% of the wage distribution worked only 93% of the hours that the bottom 10% worked. By 1991, this had reversed so that the top 10% worked 108% of the hours the bottom 10% worked. The same result holds for women (2000: 163).

Rones, Ilg, and Gardner (1997) examined data on the percentage of people working 49 hours plus per week on average in 1985 and 1993. These levels and increases were highly related to occupation with managers and professionals registering the longest hours and the largest increase in long work weeks. 45% of managers claimed to be working 49 plus hours a week in 1985 and this rose to 50% in 1993. 33% of professionals worked 49 plus hours a week in 1985 and this rose to 37% in 1993. This contrast stood only

15% of service workers who worked 49 plus hours a week in 1985 and about 16% who worked 49 plus hours a week in 1993. 21% of skilled blue collar workers were working 49 plus hours a week in 1985 and this increased to 24% in 1993. Overall, long hours increased substantially from 1985 to 1993. But, they were already highest for managers and professionals and these groups experienced the largest gains in hours from 1985 until 1993.

We have produced a similar table for the March CPS. Full-time workers aged 24 to 64 were selected, and asked "How many hours did you work last week?". Figure 1 shows that in 1976, the top 20% of the income distribution worked almost 44.2 hours a week on average. By 1995, this had increased to 46.8 hours a week. This implies for a 50 week work year, an additional 130 hours, or more than three additional weeks of 40 hours each. The bottom 20% of the income distribution and the middle 60% saw their hours fluctuate over the same period from 43.5 to 45 hours a week without any substantial increases over 45 hours.

(Figure 1 about here)

These results suggest that the high-est paid employees worked more and more hours during the 1980s and 1990s. One interesting question, concerns which occupational groups were being rewarded for their extra efforts. Figure 2 shows the percentage of employees who work overtime for the four main occupational groups. Our results show that around half of managers work over 40 hours a week, around 35% of professionals, and only less than 30% of blue collar and other white collar usually work overtime. From 1976 until 1991, these patterns did not change much.

(Figure 2 about here)

Figure 3 shows the average yearly earnings for managers who work overtime versus those who work parttime and fulltime. Since most managers are salaried, this table gives a good feel for whether or not managers working more hours earned more. From 1976 until 1981, there was a small gap between those who worked fulltime and those who worked overtime. Beginning in 1985, this gap began to widen. Managers who just worked fulltime saw their incomes fall between 1980 and 1991 from about \$50,000 to about \$43,500. Their average incomes rose thereafter to a little over \$50,000 in 2001. At the same time, managers who worked overtime saw their incomes climb. In 1981, their average income was \$54,500. By 2001, it was over \$67,700. The gap between managers who worked fulltime and those who worked overtime increased from close to 17% in 1976, to 31% in 1991, to about 35% in 2001.

(Figure 3 about here)

A similar pattern appeared for professionals (see Figure 4). During the 1976-1981 period, there was a gap of about 14-20% between professionals who worked fulltime and those who worked overtime. It should be noted that some professionals, like doctors, lawyers, and accountants do bill their time hourly. So, one would expect that there would be a larger income gap between those who worked fulltime and those who worked extra hours. From 1981 this gap began to widen and in 1996 the gap widened even more substantially. In 2001, fulltime professionals earn \$46,600 per year on average while those who work overtime earn \$63,400, a gap of about 36%.

(Figure 4 about here)

Taken together, these results support our general story. Hours of work increased the most between 1976 and 2001 for those with the highest incomes. Hours of work



remained stable for the rest of the income distribution. These changes in hours show the bifurcation of work that occurred during the reorganization of work in the 1980s and 1990s. The most interesting result is the opening of earnings differences for managers and professionals from 1986 until 2001 for those who worked overtime hours. Here, average yearly earnings for managers and professionals who worked additional hours increased from 10-20% of their counterparts working full time to about 36%.

### Changes in the Perception of Work

There has been much less research into how workers have experienced the changes in work. In this section, we explore some of the ways that earnings inequality and differences between occupational groups have changed as a result of the changes in work. The results presented so far suggest that work got more onerous and less rewarding for those at the bottom of the income, skill, and occupational distributions. It paints a more mixed picture for those at the top. While there was more job turnover, less tenure, and more hours, there were also increased rewards for managers and professionals who took on the longer hours of work. One would hypothesize that overtime people would notice these changes in their own experiences and subjectively come to view their situations differently.

Schmidt (1999) analyzes General Social Survey data that tracks whether or not workers think they will lose their jobs in the next 12 months. She shows that this perception is highly related to general economic conditions. She also shows that over the past 20 years, this fear has increased net of general economic conditions. Finally, she

demonstrate that blue collar workers feared job loss more in the 1980s while managerial/professional workers feared job loss more during the 1990s. These results are consistent with the view that work became more insecure for blue collar workers in the 1980s and more insecure for managerial/professional workers in the 1990s.

Figure 5 presents data on job satisfaction over time that comes from the General Social Survey. The question asked is "How satisfied are you with your job?". The potential answers are "very satisfied, somewhat satisfied, somewhat dissatisfied, and very dissatisfied". The very satisfied responses, the most evident indicator of job satisfaction, were recalculated. Here we present data on the top 20% of the income distribution, the middle 60% of the distribution, and the bottom 20% of the distribution. In 1978, about 57% of the people in the top 20% of the distribution say they are very satisfied with their jobs and this increases to 62% in 1998. The rest of the income distribution actually experiences less job satisfaction over time. The middle 60% of the income distribution drops from about 48.0% being very satisfied to 45.0% being very satisfied from 1978 - 1998, while the bottom 20% of the income distribution drops from 46.3% being very satisfied to about 39.0% being very satisfied during the same time period. Clearly, job conditions for those at the bottom were less satisfactory after the reorganization of work from 1980 until 2000. For those at the top, jobs became more interesting.

(Figure 5 about here)

We also tracked a variable based on the following question "How satisfied are you with your current financial situation?". We coded the answers into the percentage who were very satisfied with their financial situation. Figure 6 presents the results. In 1978, only 30.1% of the bottom 20% of the income distribution were satisfied with their

financial situation and this dropped to about 18.2% by 1998. This situation is reversed for those at the top of the income distribution. Here, 47.7% reports satisfaction in 1978 and this increases to 52.7% in 1998. These results, thus parallel the changes in job satisfaction. People at the top of the income distribution in 2000 were more satisfied with their jobs and were more financially secure than people in that position in 1980. People in the bottom of the income distribution were less happy with their jobs and less financially secure in 2000 than in 1980. From a subjective point of view, this suggests that the reorganization of work that occurred over the 20 year period had worse effects on those at the bottom of the income distribution than the top.

(Figure 6 about here)

### The Contemporary Situation in California

In our introduction, we suggested that the experiences of managerial/professional workers present a more mixed view of the changes in work over the past 20 years. These workers were not immune from the corporate reorganizations, particularly those that began in the late 1980s and early 1990s. Indeed, their job tenure decreased, their involuntary job loss increased, and they became more fearful of losing their jobs. But, at the same time, they worked more hours and the rewards for those who worked those hours increased substantially. For the most successful people, their satisfaction with work and their financial situation grew dramatically. The growing income inequality that began with the dramatic drop in earnings for less skilled blue collar and service workers in the 1980s was accompanied by a growing insecurity for those workers, fewer benefits,

and fewer job hours. But, for those at the top, in spite of being subject to some of the same pressures, life improved for those whom an agent had to be in positions where hours increased. They earned more than their peers and increased their financial security and job satisfaction. We note that not all managers and professionals benefited from these changes. It was those managers and professionals who found themselves in jobs where the expectation was that they would work long hours in exchange for much higher pay that benefited from the new labor regime.

It is useful to explore this theme in more details. The results reported in the next section come from a survey on "Working Conditions in California" that was done in the fall of 2001. While the survey is only a one shot view of working conditions and is only for California, it asked a number of questions that elaborate how work is differently experienced currently by managers/professionals and other white collar and blue collar/service workers. Details on the survey are in Appendix. The data presented here contain results that were consistent with many of the patterns described. California is the source of one-sixth of the American economy. It also contains the cutting edge of American firms and presumably labor market practices. What is happening in California today is probably in the future of workers in America.

Table 1 presents data on various forms of working conditions. The first part of the table displays average weekly hours across different occupational categories. Managers put in the longest hours, 51 hours a week, followed by professionals with 44, service and blue collar workers with 41, and finally other white collar workers who work an average 38 hours a week. These numbers are close to those reported in the CPS for these groups in the entire labor force in America.

These significant work hour differences across occupations can also be seen in the answers to the question "How often do you work overtime"? Overall 42.8% of California workers report that they usually do, while 29.8% sometimes do and only 27.3% report that they never do. Although these answers suggest that a huge proportion (72.6%) of working Californians work overtime at least some of the time, there are great differences among occupational categories. 80% of managers report that they usually work overtime while 52.7% of professionals report that they usually work overtime. This contrasts with only 26.1% of other white collar workers and 39.9% of service and blue collar workers. While managers and professionals are earning the most money, they are also putting in the most hours.

(Table 1 about here)

Workers were asked if they were given enough time to do the work assigned to them. A large majority, 83%, report that they are given enough time, but both managers and professionals report that they are less likely to be given enough time to do their work than other white collar or service and blue collar workers. Further evidence of the real time pressure experienced by managers and professionals can be gleaned from their answers to a question regarding whether their jobs involve tight deadlines. 60.6% of managers and 66.8% of professionals report having tight deadlines, compared to 50.8% of other white collar workers and 45.9% of service and blue collar workers. These data suggest that managers and professionals are usually working overtime at least partly because they are facing tight deadlines and do not have enough time to complete their work.

One of the most interesting questions in the survey concerned the use of pagers and cell phones in the workplace. One of the defining characteristics of our economy is the telecommunications revolution of the past 10 years that has made it possible for people to be more closely wired into their workplaces. The California Workforce Survey provides evidence that indeed these new telecommunications devices have, to an astounding degree, spread across the world of work. More than a third of all workers (37.7%) reported using cell phones or pagers on the job. Managers were the most likely to have cell phones or pagers: 65.4% reporting using these devices. Relatively high levels of other workers also had cell phones and pagers: 44% of professionals, 27.3% of clerical workers, and 35% of service and blue collar workers. Respondents were also asked if cell phones or pagers were used to keep them in touch after working hours. An astonishing 87.8% of managers who had cell phones or pagers reported that these devices were used to keep them in touch after hours. Very high percentages of other workers who had cell phones or pagers were also technologically tethered to work: 68.2% of professionals, 56.9% of other white collar workers, and 62.3% of service and blue collar workers. These results confirm the view that in the new economy telecommunications devices are being extensively used to keep workers connected to their offices not only during working hours, but after hours as well. The idea that people work 24/7 (24 hours a day and seven days a week) is not an exaggeration, particularly for managers.

Table 1 also provides evidence about who sets work hours, who determines overtime, and whether or not workers want more or fewer hours. 29.6% of all workers are able to set their own hours of work. Not surprisingly, managers have the most discretion over work hours (48.7%) and service and blue collar workers the least (21.3%). When

asked who determines if a respondent works overtime, 61% say they determine overtime, while 34.7% say their boss does, and 4.3% say both do. We think that the high voluntary response is due to the fact that even if the boss wants a person to work overtime, workers often formally have the discretion to turn such hours down. This number is also highly affected by occupational position. 75.6% of managers and 80.9% of professionals report determining their overtime hours while 60.7% of other white collar workers and 42% of service and blue collar workers have this discretion.

Another indicator of the degree to which people feel overworked is the question "If you could, would you work more hours for more pay, the same hours for the same pay, or fewer hours for less pay". Overall, 32.1% of respondents report they would work more hours, while 50.1% report they would work the same hours and only 8.2% report they would work fewer hours. The breakdown of this variable across occupational groups is quite revealing. Only 17.4% of managers and 18.4% of professionals report that they would like to work more hours for more pay while 32.4% of other white collar workers and 43.5% of service and blue collar workers report this. These data suggest that while a substantial percentage of other white collar and service and blue collar workers are not getting enough hours, most managers and professionals are at their limit. About twice as many managers and professionals wish they could work fewer hours for less pay than service and blue collar workers (11.12% versus 6%). Not surprisingly, managers and professionals are more likely than the other occupation group to report having difficulties finding time for both work and family. 47.7% of managers and 40.2% of professionals are having a problem balancing work and family, compared to 35.4% of other white collar workers and 34.6% of service and blue collar workers.

It is interesting to consider why various groups of workers work overtime. Table 2 presents data on this issue. The respondents' answers were coded into four categories: "very important, somewhat important, not very important, or not important at all". We report the percentage of respondents who answer "very important" or "somewhat important" for the various reasons. In the overall sample, 47.7% report that the reason they work overtime is because they are required to, 46.7% report that it is because they are unofficially expected to, 81.0% report that it is because they enjoy work, and 70.8% report that it is because they enjoy the workplace and colleagues. These results suggest that the vast majority of California workers like to work because of the intrinsic character of their work and the opportunity to be with their colleagues in the workplace. Our findings that enjoyment of colleagues and the workplace are important reasons for working overtime supports Hochschild's thesis (1997). In a study of an office of a large firm, she showed that some workers actually prefer work life to home life.

(Table 2 about here)

Service and blue collar workers are most likely to report that they are required to work overtime (58.2%) while the other three groups report this only about 40% of the time. Service and blue collar workers are also more likely to report that they are unofficially expected to work such hours. This finding reinforces our earlier discussion regarding the high degree of discretion workers report having over working overtime. While workers can choose not to work overtime, many feel that they are unofficially expected to do so. This pressure is most acutely reported by service and blue collar workers. Managers and professionals report higher levels of working overtime because they enjoy work. 80% of managers report enjoying the workplace and colleagues as a



reason to work overtime. The other occupational groups report this less frequently. While managers and professionals are less likely to report being required or unofficially expected to work overtime, they do feel pressure from having tighter deadlines and less time to get their work done. Their enjoyable jobs come at the price of remaining connected to the workplace around the clock, and experiencing difficulties finding time for both work and family.

Table 3 presents evidence on how rewards are distributed across occupational categories at different levels of working hours. We use three categories of working hours, less than 35 (part-time work), 35-40 (full-time work) and 41 plus (overtime). Hours of work has a large and direct effect on yearly earnings. Part-time workers make substantially less than full-time workers. Interestingly, full-time workers in each of the categories display less variation than workers in the overtime category. The most interesting part of the table is the degree to which overtime affects the earnings of managers and professionals. Managers who work more than 40 hours a week make \$71,102 while professionals who work overtime make \$75,039. Recalling table 4, 80% of managers and 50% of professionals report that they usually work overtime, while only 26.1% of other white collar workers and 39.9% of service and blue collar workers report usually working overtime. Thus, managers and professionals both work overtime and are amply rewarded for working overtime. One other interesting fact from table 3, is that service and blue collar workers who work overtime do not appear to benefit much for it in their yearly earnings. This result probably reflects the fact that the kind of jobs that tend to involve working overtime in this large category are more likely to pay low wages. These results are consistent with the results presented earlier from the CPS data.

(Table 3 about here)

It is useful to synthesize these results. Managers and professionals work long hours and usually work overtime. They are likely to do so because they enjoy the work and the workplace, and because they are subject to tight deadlines. While they are highly paid for working overtime, managers and professionals report being tied to work by cell phones and pagers and having problems finding time for both work and family. They get high rewards, but they are at their limit in terms of work hours. Workers in other white collar and service and blue collar occupations also enjoy work and the workplace and choose to work overtime because of this. But, they also have less discretion over working overtime and feel more informal pressure to do so when asked. They are also more likely to report that they do not have enough hours of work. Finally, service and blue collar workers who do get overtime, do not appear to get a large benefit from doing so.

This evidence implies a bifurcation of work. Managers and professionals working long hours and being more tied to work. They get rewarded highly for this and they enjoy the work and workplace. But they also report having tight deadlines, and difficulties balancing work and family. Other white collar workers and service and blue collar workers have less discretion over work hours and overtime and more pressure from the boss to work overtime. Still, they report liking work and the workplace and substantial numbers of them report wishing they could get more hours of work.

Conclusion

This paper considered changes in working conditions as a source of new inequalities in American society. We began by arguing that the economic crises of the 1970s produced the reorganization of U.S. firms during the 1980s and 1990s. These reorganizations greatly affected work and the earnings of American workers. In the first wave of reorganization, the main focus was blue collar and service workers. Firms closed plants and offices and laid workers off. During the second wave, managerial and professional staff lost their positions. The main issues we considered were the changes in working conditions. It is useful to review the main results of our review. There is evidence that work changed for all workers. Tenure dropped for all workers, involuntary job loss increased, and general fear over losing jobs increased. Involuntary part time and temporary employment increased. Pension and health benefits decreased as well. For people who lost their jobs involuntarily, lifetime earnings decreased.

But, many of these changes were distributed unequally. Declines in pension and health benefits fell on the most vulnerable, those who were employed part time, temporarily, or those who were less educated or in other white collar/service/blue collar jobs. Hours of work increased for those at the top of the income distribution. There was an intensification of work for managers and professionals. Some of their incomes increased substantially over their colleagues who worked just full time. Workers at the top of the income and skill distributions came over time to also have higher job satisfaction and become more financially secure.

We explored this last theme, the relative position of those at the top and the bottom, in a recent survey of working conditions in California. We confirmed that managers/professionals are working more hours and making much more money than their

counterparts who are only working fulltime. Service and blue collar workers wish they were working more hours and for managerial/professional workers, they are either happy with their hours or wished they worked fewer hours. Managers and to a lesser extent, professionals are not being given enough hours to do their work forcing them to work overtime. But, managers and professionals appear to like to work and like being with their co-workers, thereby compensating their long hours with these intrinsic rewards.

Our results suggest bifurcation of work. Work has gotten more insecure for all people in the U. S. But there are also large opportunities for those at the top of the skill distribution to work more hours and increase their pay as much as 36% over those working only fulltime. These workers have also gained in job satisfaction and life rewards. Ironically, the intensification of work has given these people opportunities for increasing their personal efficacy. For those at the other end of the occupational distribution, there is quite a different story. There is not enough work hours, benefits have declined, working conditions have grown more unsafe, and job and financial satisfaction have decreased. Their personal efficacy has gone down as a result of these changes. These changes have also seeped over into a more general sense of life satisfaction. Hout (2002) shows, using the General Social Survey, that general happiness has changed by income groups. Overtime, the higher income groups are happier, while the lowest income group has gotten more unhappy. Increased income inequality has been accompanied by increased inequality in working conditions. Both have produced less work and life satisfaction for those at bottom and more for those at the top.

Given that work plays a central role in American life, it is important to consider what might be done to increase opportunities to have work be more satisfying and

rewarding. Some obvious policy changes could be to guarantee access to health care and pension benefits for all workers. Others might take up issues of occupational health and safety standards. It seems obvious that workers in more dangerous occupations sought to get protection to insure their safety.

The most difficult issues to tackle are the general downgrading of service/blue/collar and other white collar employment that has occurred. Firms have decided that they can make more money by squeezing less skilled workers and getting managers and professionals to put in longer hours (albeit at higher pay) in order to hire fewer of them. There is remarkably little evidence that tries to link these tactics oriented towards "increasing shareholder value" to actual changes in either the financial position of firms or their competitive position (but see Osterman, 2000). We know that firms can advance their share price in the short term by announcing layoffs. But, we do not know if the changes that have produced this new work order have increased the competitiveness or financial health of firms. There is controversy in the literature on work about whether firms do better financially by trying to build worker loyalty through either empowerment on the job or rewarding them with job security. Firms seem to have empowered some managerial and professional workers, asked them to work long hours, and given them high pay. They have made others more insecure and reduced their benefits and health and safety. Whether or not this is a tactic that improves competitiveness is a frontier issue in research.

## Appendix: Data and Methods

### March Current Population Survey

A series of analyses on earnings and working hours came from the March supplement to the Current Population Survey (CPS) from 1976 to 2001, which were prepared by the Bureau of the Census for the Bureau of Labor Statistics. We used the sample of the respondents who are recurrently employed and aged 24 to 64, excluding those who have a job but not at work, are unemployed, not in the labor force, in the armed forces, or unincorporated self-employed. Number of respondents who meet the selection criteria ranged from 35,715 for 1976 to 52,940 for 1981, approximately 48,000 on average.

Person's average hourly wage is annual earnings divided by the product of weeks worked and usual weekly hours. We constructed quintile variables constructed for every 20<sup>th</sup> percentile of hourly wage, 0-20% being the lowest wage group and 80-100% the highest. All dollar values in this paper were corrected for inflation using a price deflator based on the official Consumer Price Index for all urban consumers. This is necessary in examining changes over time.

Working hours in the analyses refer to the number of hours the respondent worked in the week before the survey. March CPS uses two reference periods for hours questions: how many hours respondents worked in the week before the survey (the week including the 12<sup>th</sup> of the month), and how many hours they worked in the previous year. It should be noted that the choice of reference period could result in a difference in hours worked. We chose to use the reference period of last week because the reference period of last year tends to suffer greater errors due to the longer recall period. Part-time workers are defined as those who worked less than 35 hours per week in the previous year. Employees who worked 35 or more hours are divided into two distinct groups; full-time workers who worked 35 or more but less than 41 hours, and overtime workers working 41 or more hours per week in the previous year. Definition of part-time employees follows the official definition used by the Bureau of Labor Statistics, and the concept of overtime corresponds to the legal definition.

Due to the confidentiality of respondents, the public-use files of the CPS report income and earnings that are limited to a certain maximum, or top-coded. Values above the top code are suppressed and imputed as the top code. During the last 25 years the top-coding procedure has changed several times; for example, top-code for the income from wage and salary was \$50,000 for 1976 to 1981, \$75,000 for 1982 to 1984, and \$99,999 for 1985 to 1988. Since a relatively small fraction of workers have their wages top-coded, top-coding does not affect our calculation of quintile variables, as presented in Figure 1. Top-code is much higher than the cutoff value of the top quintile. However, top-coding can affect our calculation of earnings, as presented in Figure 3 and 4. If one ignores top-coding and uses the censored data in calculation of wage and salary, the result will be understated. We adjusted for the top-coding problem of the CPS earnings data by multiplying all top-coded values by 1.4. Previously Kats and Murphy (1992) assigned 1.45T to any value that was top-coded at T, and Juhn, et al. (1993) assigned 1.33T, but we followed a recent method used by Card and DiNardo (2002).

From 1996 and forward, however, Census Bureau lowered the top 5 -codes and replaced all top coded values with the average values of 12 socioeconomic groups defined on the bases of gender, race, and worker status. Instead of imputing earnings values top coded at \$1.4T, as we did for 1976 -1995, we used the averages provided by the Census Bureau for 1996 -2001.

In all calculation of the CPS data presented in this paper, the CPS final weights were used to yield nationally representative estimates. The CPS data used in this paper came from Unicon Research Corporation (producer and distributor of CPS Utilities), Santa Monica, CA.

### General Social Survey

Measures of subjective attitudes come from the General Social Survey (GSS). The GSS is a nationally representative annual survey conducted by the National Opinion Research Center (NORC). In this paper we analyzed 23 surveys between 1972 and 2000, but in some years (1979, 1981, 1992, 1995, 1997, 1999) the GSS was not conducted and in others some of the questions included in this study were not asked. The sample used in this paper includes all respondents who are recurrently employed and aged 24 to 64, excluding those who have a job but not at work, are unemployed, not in the labor force, or in the armed forces.

Working hours refer to the number of hours worked in the week preceding the survey. The GSS does not have questions on the usual hour of work in the previous year. To examine the respondent's perceptions about work, we coded the answers with the strongest attitude as 1; otherwise 0. Therefore the graphical representation of the trends in perceived job security and satisfaction indicates the fraction of respondents who showed the most obvious and unambiguous responses to a given question. Two questions in the GSS were used in exploring respondent's perception and attitudes regarding conditions of work and living. First, job satisfaction was measured by the question of "On the whole, how satisfied are you with the work you do -- would you say you are very satisfied, moderately satisfied, a little dissatisfied, or very dissatisfied?" Similarly, on satisfaction with one's financial situation, another question asked "So far as you and your family are concerned, would you say that you are pretty well satisfied with your present financial situation, more or less satisfied, not satisfied at all?" In these two questions on satisfaction, "very satisfied" was coded as 1. Sample weights were used in order to adjust oversampling of blacks in 1982 and 1987.

### 2001 California Labor Survey

The Fall 2001 California Workforce Survey was designed to assess the current state of the California workforce. The survey collected data on California workers' attitudes toward a range of issues as well as on the status, conditions and practices of their employment. The survey was sponsored by the Institute for Labor and Employment at the University of California and done by the Survey Research Center at the University of California. There were two California samples for this study: across -sections sample and a union -member oversample. The survey had 1,404 cases including an oversample of 342 union members. We weighted the sample to compensate for the oversample.

Both samples cover all telephone exchanges in the state of California. A total of 22 replicates were created to facilitate sample management -- 12 of the 22 replicates were allocated to the cross-section sample in which all adults in residential households were eligible, and the other 10 replicates were allocated to the union-member oversample in which only adult union members currently working full- or part-time were eligible. Note that those not currently working were asked most of the attitudinal questions, but of course the questions about their current jobs were skipped.

Both samples of telephone numbers for this survey were generated using a procedure called list-assisted random-digit sampling. This method preserves the characteristics of a simpler random sample but takes advantage of the availability of large computer databases of telephoned directory information to make the sample more efficient. It allows us to reduce the number of unproductive calls to non-working telephone numbers and to obtain a higher proportion of households in our sample than we would achieve by simpler random-digit dialing.

Briefly, the method works like this: all possible telephone numbers in the state of California are divided into two strata -- telephone numbers from series of 100 numbers with zero or one residential listing in the telephoned directories, and telephone numbers from series with at least two residential listings. The sample of telephone numbers used for this project was then generated with random numbers, in order to include unlisted numbers, from the stratum containing series of telephone numbers with at least two residential listings. The stratum containing series of telephone numbers with zero or one residential listing is unlikely to contain many residential numbers, and therefore was excluded from the sampling frame. For a detailed description of this sampling method, see Robert J. Casady and James M. Lepkowski, "Stratified Telephone Survey Designs," *Survey Methodology*, Vol. 19 (June 1993), pp. 103-113. This procedure resulted in the following sample. The survey had a response rate of 50.8% (1255 respondents out of 2471 calls).

The following two-digit census occupation codes were coded into the four occupation groups for the CPS, GSS, and California Survey analyses.

Managerial:

1. Managers, administrators and public officials
3. Management analysts
32. Retail and other sales supervisors
51. Supervisors, protective services
52. Supervisors, food services
53. Supervisors, cleaning/building services
54. Supervisors, personal services
61. Farmers, farm managers/supervisors and other supervisors of agricultural/forestry work
62. Captains and other officers of fishing vessels
71. Supervisors, mechanics and repairers
72. Supervisors, construction trades
73. Supervisors, extractive occupations (oil drilling, mining)
74. Supervisors, production occupations
81. Supervisors, motor vehicle operators



- 83. Ship captains and mates
- 84. Supervisors, material moving equipment operators
- 92. Supervisors of handlers, equipment cleaners and laborers

Professionals

- 2. Accountants, auditors, underwriters and other financial officers
- 4. Personnel, training and labor relations specialists
- 5. Purchasing agents and buyers
- 6. Business and promotion agents
- 7. Inspectors and compliance officers
- 11. Doctors and dentists
- 12. Veterinarians
- 13. Optometrists
- 14. Other health diagnosing occupations: podiatrists, chiropractors, acupuncturists, etc.
- 15. Nurses (RNs, LVNs, LPNs)
- 16. Physicians' assistants
- 17. Pharmacists and dietitians
- 18. Therapists: physical therapists, speech therapists, inhalation therapists, etc.
- 19. Health techs (hosp. lab techs, dental hygienists, etc.)
- 20. Elementary/high school teachers
- 21. College/university teachers
- 22. Counselors, educational and vocational
- 23. Librarians, archivists and curators
- 24. Lawyers and judges
- 25. Social scientists and urban planners: economists, psychologists, sociologists, urban planners
- 26. Clergy, social, recreation and religious workers
- 27. Writers, artists, entertainers and athletes
- 28. Engineers, scientists, architects
- 29. Computer programmers
- 30. Other technicians (draftsmen, other lab techs, airline pilots, air traffic controllers, legal assistants, etc.)

Other White Collar:

- 8. Administrative assistants
- 33. Retail sales workers and cashiers
- 34. Real estate and insurance agents
- 35. Stock brokers and related sales occupations
- 36. Advertising and related sales occupations
- 37. Sales representatives -- manufacturing and wholesale
- 38. Street and door-to-door sales workers, news vendors, and auctioneers
- 39. Other sales occupations
- 40. Office/clerical supervisors/managers
- 41. Secretaries, typists, stenographers, word processors, receptionists and general office clerks

- 42. Records processing clerks: bookkeepers, payroll clerks, billing clerks, file and records clerks
- 43. Shipping /receiving clerks, stock clerks
- 44. Data -entry keyers
- 45. Computer operators
- 46. Telephone operators and other communication equipment operators
- 48. Bank tellers
- 49. Teacher's aides
- 50. Other clerical workers

#### Service and Blue Collar Workers

- 47. Postal clerks, mail carriers, messengers, etc.
- 55. Cooks, waiters and related restaurant/bar occs.
- 56. Health service (dental assistants, nursing aides, attendants)
- 57. Personal service (barbers, hairdressers, public transportation attendants, welfare service aides)
- 58. Cleaning and building service (maids, janitors, housekeepers, elevator operators, pest control)
- 59. Child care workers
- 60. Firemen, policemen and other protective service occs.
- 63. Farm workers
- 64. Graders, sorters and inspectors of agricultural products
- 65. Animal caretakers
- 66. Nursery workers
- 67. Groundskeepers and gardeners
- 68. Forestry and logging workers
- 69. Fishermen, hunters and trappers
- 70. Other Farming, Forestry and Fishing Occupations
- 77. Extractive occupations (oil drillers, miners)
- 78. Precision production occupations (tool and die makers, cabinet makers, jewelers, butchers, bakers, etc.)
- 79. Precision inspectors, testers and related workers
- 80. Plant and system operators (water and sewage treatment plant operators, power plant operators)
- 82. Railroad conductors and yardmasters
- 85. Machine operators
- 86. Motor vehicle operators (truck, bus and taxi drivers)
- 87. Railroad (engineers, conductors, other operators)
- 88. Ships (fishing boat captains, sailors, merchant marine)
- 89. Bulldozer and forklift operators, longshoremen, and other material movers
- 90. Fabricators, assemblers and handworking occupations: welders, solderers, hand grinders and polishers, etc.
- 91. Production inspectors, testers, samplers and weighers
- 93. Construction helpers and laborers
- 94. Factory and other production helpers
- 95. Service station attendants, car mechanic's helpers, tire changers, etc.

96. Garbage collectors, stock handlers and baggers, and other material handlers  
97. Helpers of surveyors and extractive occupations

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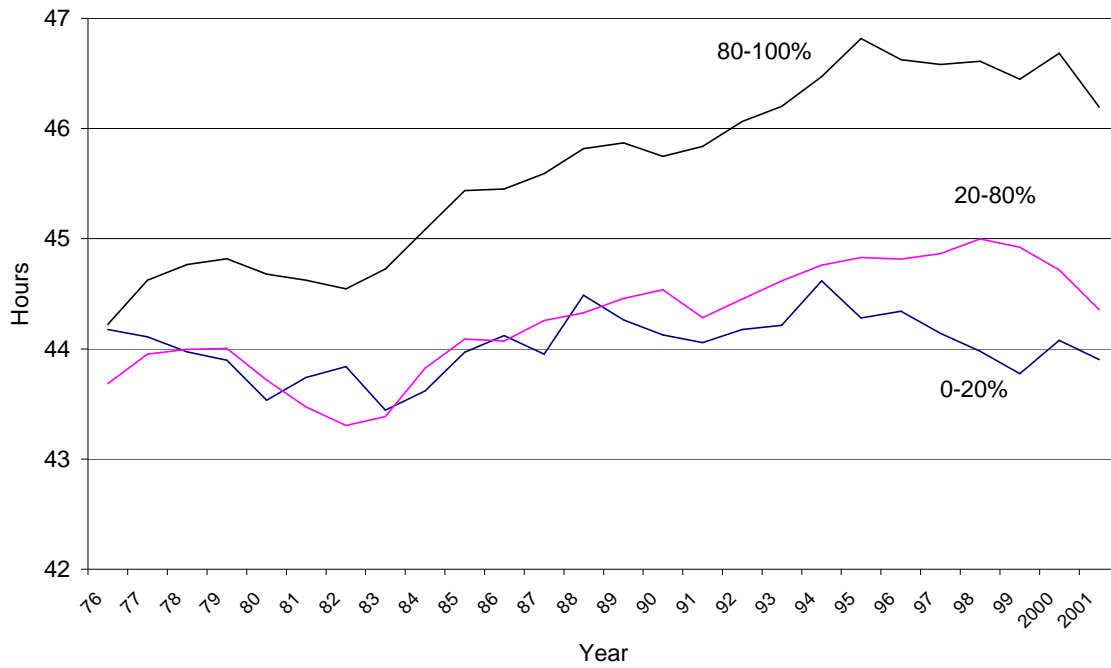
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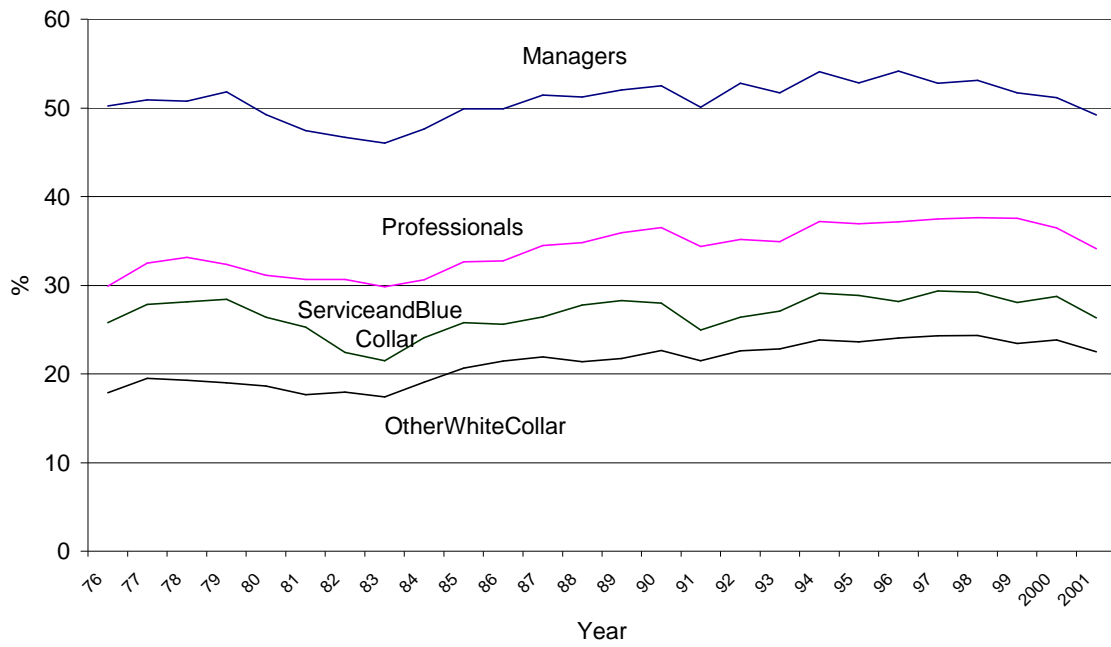
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**Figure 1. Number of hours worked last week, by hourly wage percentiles, full-time workers only.**



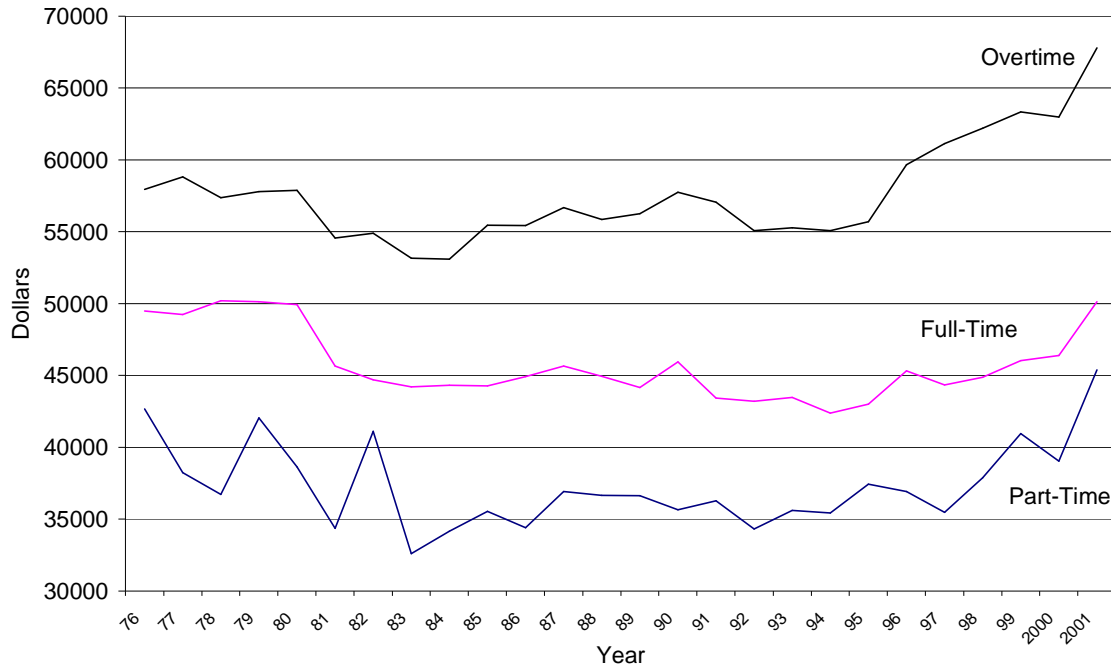
Source: Authors' calculation of the March CPS.

**Figure 2. Percentage of workers who worked overtime, by occupational groups.**



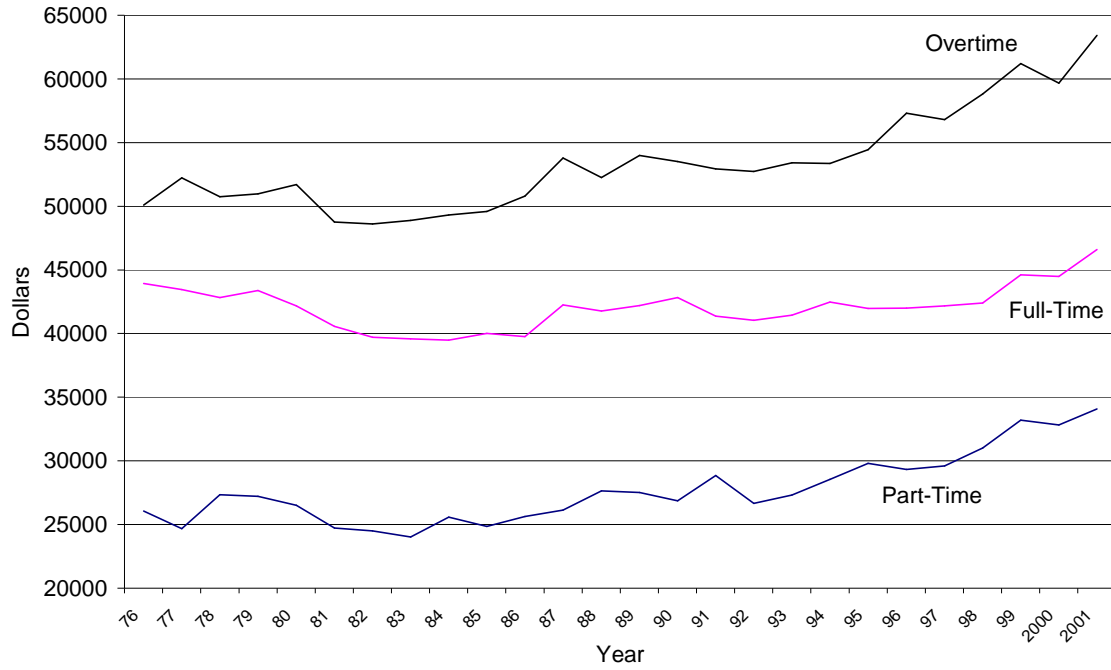
Source: Authors' calculation of the March CPS.

**Figure 3. Average yearly earnings of managers who worked part-time, full-time, and overtime.**



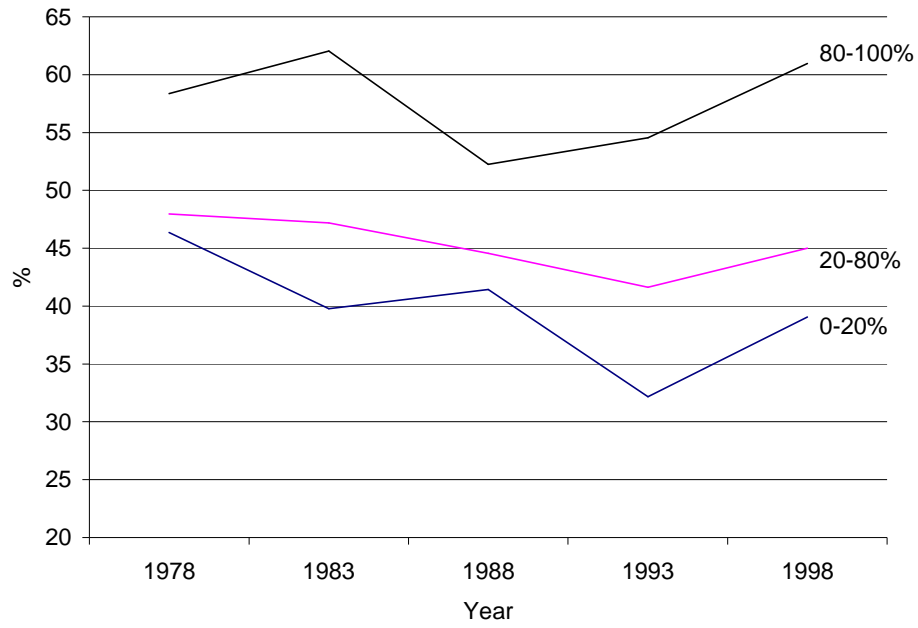
Source: Authors' calculation of the March CPS.

**Figure 4. Average yearly earnings of professionals who worked part-time, full-time, and overtime.**



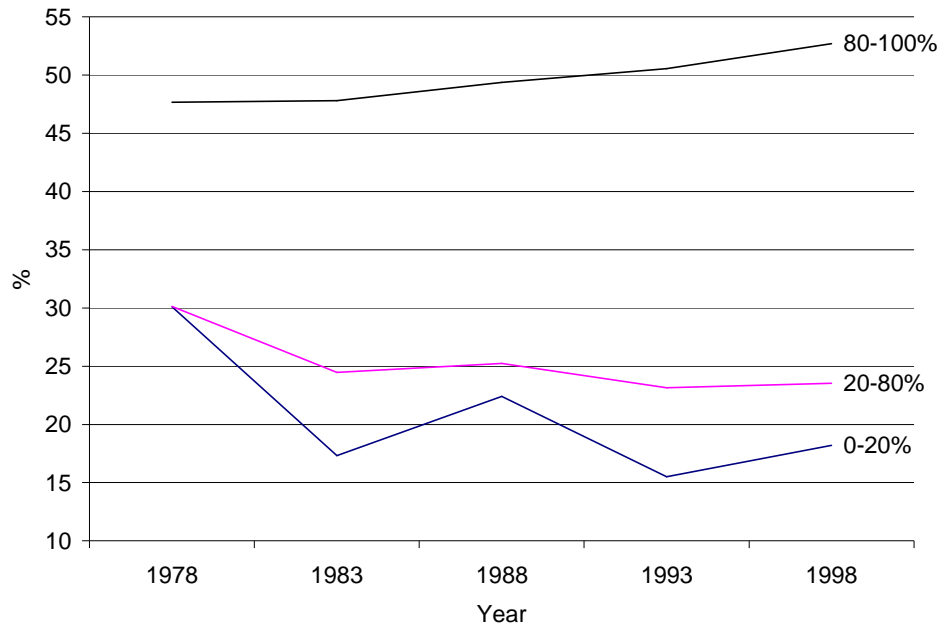
Source: Authors' calculation of the March CPS.

**Figure 5. Percentage of respondents who are very satisfied with the work, by family income percentiles.**



Source: Authors' calculation of the General Social Survey.

**Figure 6. Percentage of workers who are very satisfied with present financial situation, by family income percentiles**



Source: Authors' calculation of the General Social Survey.

**Table 1. Conditions of Work**

	Average weekly workhours	How often work overtime?			Enough time to do work?	Job involve tight deadline?
		Usually	Sometimes	Never	Yes	Yes
Totalsample	41.7	42.80%	29.80%	27.30%	83.00%	53.80%
Managers	50.0	80.00%	13.20%	6.90%	74.00%	60.60%
Professionals	44.1	52.70%	33.00%	14.20%	78.40%	66.80%
Other white collar	38.0	26.10%	29.60%	44.40%	83.50%	50.80%
Service and blue collar	41.0	39.90%	31.00%	29.10%	87.30%	45.90%

	Cellphone or pager use?	Cellphone or pager after hours?	Who determines overtime?		
	Yes	Yes	Respondent	Boss	Both
Totalsample	37.70%	66.50%	61.00%	34.70%	4.30%
Managers	65.40%	87.80%	75.60%	22.70%	1.70%
Professionals	44.00%	68.20%	80.90%	15.30%	3.80%
Other white collar	27.30%	56.90%	60.70%	35.00%	4.30%
Service and blue collar	35.00%	62.30%	42.00%	52.60%	5.40%

	If you could would you:			Problems finding time for both work and family?
	work more hours <sup>2</sup>	work same hours	work less hours	Yes <sup>1</sup>
Totalsample	32.10%	50.10%	8.70%	35.40%
Managers	17.40%	70.90%	11.70%	47.70%
Professionals	18.40%	68.50%	13.20%	40.20%
Other white collar	32.20%	60.70%	7.10%	35.40%
Service and blue collar	43.50%	50.10%	6.40%	34.60%

Source: Authors' calculation of 2001 California Labor Survey

<sup>1</sup>Percentages reflect fulltime workers who answer "very serious problem" or "moderately serious problem".

<sup>2</sup>Categories are 1) work more hours for more pay, 2) work same hours for same pay, 3) work less hours for less pay.



**Table 2. Reasons Why Work Overtime**

	Required to <sup>3</sup>	Unofficially Expected to	Enjoy work	Enjoy workplace and colleagues
Total sample	47.70%	46.70%	81.00%	70.80%
Managers	40.20%	41.80%	80.00%	80.00%
Professionals	39.10%	46.50%	85.20%	67.50%
Other white collar	43.90%	40.60%	71.40%	64.30%
Service and blue collar	58.20%	51.00%	72.60%	63.30%

Source: Authors' calculation of 2001 California Labor Survey

<sup>3</sup>Percentage who answered "very important" or "somewhat important."

**Table 3. Mean Yearly Earnings by Occupation and Hours Worked**

Hours Worked	Manager	Professional	Other white collar	Service and blue collar
<35	\$20,282	\$32,428	\$16,225	\$13,208
35 -40	\$42,998	\$47,860	\$29,275	\$35,922
41+	\$71,102	\$75,039	\$45,414	\$35,908

Source: Authors' calculation of 2001 California Labor Survey