

# Background

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## How Good Are the New Jobs?

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Economic pessimists have changed their tune. After years of trumpeting a “jobless recovery,” the skeptics are admitting that America is in the midst of a jobs boom, with 1.4 million new jobs over nine straight months of payroll growth. Now the pessimists insist that the new jobs are no good.

But if the jobs being created are not any good, what is? Since January 2001, American incomes have risen by 7.5 percent, wages have risen by 2.4 percent, and the government projects 21 million good job opportunities over the 2002–2012 decade.<sup>1</sup>

The charge that low-quality service jobs—often dubbed “McJobs”—are proliferating is inaccurate. The McJobs argument has two primary implications. The first is that wages are declining, and the second is that the new jobs are unfulfilling. Empirical data on American pay, incomes, and quality of life make the case that American jobs are better today and getting better every year.

Yet the real story is not in the spinning political duel over data, but in a much broader understanding of the new economy. Put simply, the modern workplace is empowering individuals to work for themselves, enjoy flexible hours, and pursue dreams rather than survival, all while shattering the traditional definitions of employment.

### Highlights

- Average real earnings for “production and nonsupervisory” workers are 2.4 percent higher today than in January 2001.

### Talking Points

- Multiple indicators show real pay gains in recent years. Real disposable income per capita is 7.5 percent higher than it was in January 2001, and annual real income per capita is up 5.2 percent (\$1,819).
- The number of payroll jobs has increased for nine straight months, especially in the service-providing sector. In May, service businesses paid 109.3 million—or 83.3 percent—of all 131.2 million paychecks, including millions of doctors, nurses, and teachers.
- During this decade U.S. employment is expected to surge in all sectors and by 21.3 million overall. In addition, the U.S. will experience a demographic shift as the baby boomers retire, driving up pay for future workers as demand for labor outstrips supply.
- There will be zero growth in “burger-flipper jobs” relative to the overall labor force, according to U.S. Department of Labor projections for 2002–2012.

This paper, in its entirety, can be found at:  
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- The vast majority of U.S. jobs are in service sectors (83.3 percent), and most future growth will be in the health, education, retail, and technology subsectors.
- There will be zero growth in “burger-flipper jobs” relative to the overall labor force, according to U.S. Department of Labor projections for 2002–2012.

Change Since		Real Hourly Wage	Real Weekly Wage	Disposable Income per capita	Personal Consumption
Last Year	May 2003	-0.72%	-0.14%	2.80%	3.87%
Recession End	November 2001	0.24%	0.55%	6.92%	8.46%
Recession Start	March 2001	1.61%	1.06%	7.66%	11.17%
Bush Sworn In	January 2001	2.37%	1.51%	7.47%	10.96%
10 Years Ago	May 1994	8.87%	7.03%	25.27%	44.49%

Sources: Calculations from the Haver Analytics DLX database, using data from the U.S. Department of Labor, Bureau of Labor Statistics, and the U.S. Department of Commerce, Bureau of Economic Analysis.

### Argument #1: American Pay is Higher Today Than During the Dot-Com Boom

Multiple indicators show big pay gains in recent years. Real disposable income per capita is 7.5 percent higher than it was in January 2001. Annual real income per capita—a broader measure of quality of life—is up 5.2 percent (\$1,819) in the United States over the same period. That is real money, after inflation, that would pay for an extra 900 gallons of gas for every American.

In May, average hourly earnings rose by 0.3 percent, but prices of consumer goods rose by even more, meaning that *real* earnings declined by 0.4 percent. This decline was driven mainly by the spike in gasoline prices, which is already fading.<sup>2</sup>

Real hourly earnings are up by 1.61 percent since March 2001, when the recession began; up 2.37 percent since President George W. Bush was inaugurated; and up 8.87 percent over the past 10 years. One advantage of earnings data is that they count only “production or nonsupervisory jobs,” so they are not skewed by rich incomes, but the downside is that they are also limited to traditional payroll jobs since the source is the Current Employment Statistics (CES) survey.

The CES, commonly known as the payroll survey, completely neglects the increasing number of Americans who work for themselves and has also suffered from an illusion of joblessness in 2001–2003 due to declining job turnover. Indeed, the explanatory note accompanying the monthly “Real Earnings” reports notes that many factors “tend to result in weekly earnings averages significantly lower than corresponding numbers” partly caused by “turnover and layoffs.” The point is that, regardless of which statistics—even non-inclusive CES figures—one uses, American jobs are higher-paying now than they were during the dot-com boom or, more technically, the pre-recession peak of the first quarter of 2001.

### Argument #2: New Jobs Are Quality Jobs

The number of payroll jobs has increased for nine straight months according to the CES, especially in the service-providing sector. In May, service businesses paid 109.3 million—or 83.3 percent—of all 131.2 million paychecks, including millions of doctors, nurses, and teachers. What the payrolls ignore are the extra 7.55 million non-payroll American workers counted in the Census Bureau’s monthly household survey. Should these non-payroll workers be considered underpaid or

1. U.S. Department of Labor, Bureau of Labor Statistics, “Tomorrow’s Jobs,” modified June 2, 2004, p. 2, at [www.bls.gov/oco/pdf/oco2003.pdf](http://www.bls.gov/oco/pdf/oco2003.pdf) (June 21, 2004).

2. News release, “Real Earnings in May 2004,” U.S. Department of Labor, Bureau of Labor Statistics, June 15, 2004, p. 2, Table A, at [www.bls.gov/news.release/pdf/realer.pdf](http://www.bls.gov/news.release/pdf/realer.pdf) (June 22, 2004).

unsatisfied? Probably not. National polls routinely report that one of the most popular aspirations of Americans is to be their own boss.

It would also be an error to imagine that labor data are being interpreted along partisan lines. Thoughtful Democrats and Republicans agree that the emergence of a new workforce is a net positive, while protectionists of both parties dislike change. Daniel Pink, who once worked as Al Gore's speechwriter, is a good example of a thoughtful Democrat. Pink's book *Free Agent Nation* goes into great detail in discussing and celebrating self-employment and microbusinesses.

Pink argues that several factors, including improvements in information technology, are driving a "broad shift in power from the organization to the individual"<sup>3</sup> in America. Data from the household survey of employment reflect this rapid change, even though the survey's vague definition of "self-employed" suggests that this number may be a significant underestimate.

### "Do You Want Fries with That?"

A common joke about the future is that all our kids will be burger-flippers—a joke that plays on misinformed fears that most jobs in the service industry are low-skilled. Services include teachers, artists, athletes, and even cooks. Every economy in history is based on trade and consumption, with merchant retailers who operate the "invisible hand" of commerce. In modern America, they are sales staff in shopping malls, gourmet chefs, and Home Depot shelf stockers.

In 2002, there were almost 3 million "chefs, cooks, and food preparation workers" in the U.S. The spring 2004 *Occupational Outlook Quarterly* anticipates 12 percent growth in food-related work in the decade ahead. The real joke here is that 12 percent is exactly the projected growth rate of the

overall labor force as well.<sup>4</sup> That means there will be literally zero growth in "burger-flipper jobs" relative to the overall labor force.

Jobs in what some might call high-quality sectors are a different story. In management fields, the computer and information systems sector experienced the fastest growth (36 percent). The fastest growing professions are software engineers (45 percent); computer scientists and database administrators (42 percent); environmental engineers (38 percent); social and human service assistants (49 percent); postsecondary teachers (38 percent); physician assistants (49 percent); dental hygienists (43 percent); and so forth.

### The Future of American Employment

The *Occupational Outlook Quarterly* also indicates that future jobs will be concentrated predominantly in health, education, retail, and computers. Registered nurses earn a median salary of \$48,090 and are projected to add an astounding 110,119 gross job openings per year.<sup>5</sup> Furthermore, health care jobs comprise one-half of the 20 occupations that are projected to grow the fastest in the 2002–2012 decade. Computer occupations account for another five.<sup>6</sup>

Critics will assert that America is losing the best positions. However, according to official projections, the top occupations in numerical decline are farmers and ranchers, sewing machine operators, typists, and stock clerks<sup>7</sup>—not IT workers, not scientists, and not the highest-paying professions.

Making projections about future employment is inherently uncertain, mainly because the fast pace of technological and social change means that there will be new occupations in 10 years that are simply beyond today's imagination. The Labor Department's best guesses for the fastest-growing occupations are displayed in Chart 1.

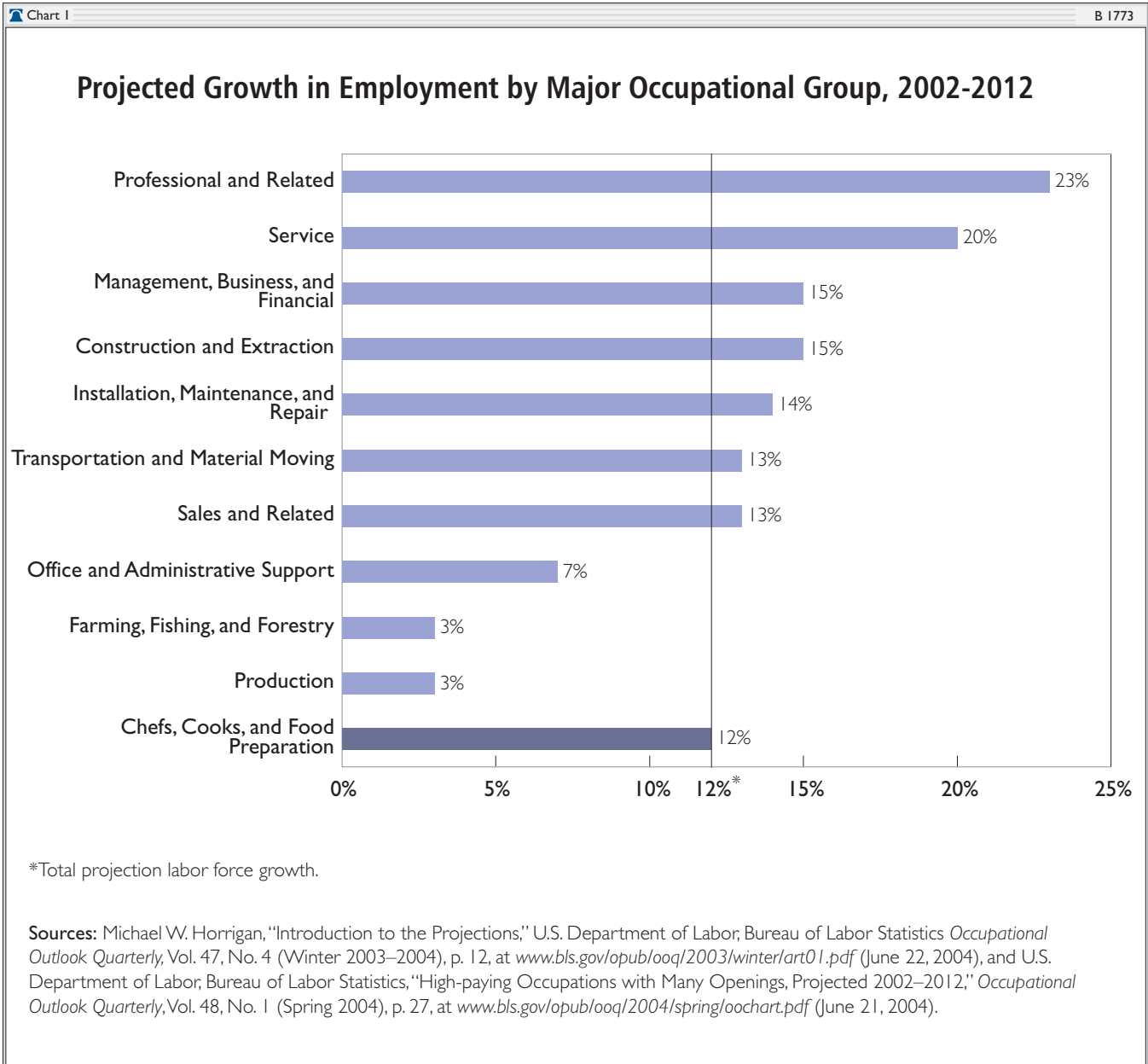
3. Daniel H. Pink, *Free Agent Nation: The Future of Working for Yourself* (New York: Warner Business Books, 2002), p. 18.

4. U.S. Department of Labor, "Tomorrow's Jobs," p. 1.

5. U.S. Department of Labor, Bureau of Labor Statistics, "High-Paying Occupations with Many Openings, Projected 2002–12," *Occupational Outlook Quarterly*, Vol. 48, No. 1 (Spring 2004), at [www.bls.gov/opub/ooq/2004/spring/oochart.pdf](http://www.bls.gov/opub/ooq/2004/spring/oochart.pdf) (June 21, 2004).

6. U.S. Department of Labor, "Tomorrow's Jobs," p. 5.

7. *Ibid.*, p. 8.



Such projections can be misinterpreted in two ways. Rapid growth in low-skill jobs means higher demand and therefore higher pay for the poorest Americans, but it can be interpreted by pessimists as bad news because the current pay for those jobs is below average. Likewise, if high-skill jobs are expected to surge, skeptics will say the poor are being left behind.

However, such pessimism should be considered in light of three basic facts. First, U.S. employment

is expected to surge in all sectors and by 21.3 million overall. Thus, far more occupations will be expanding than contracting. Second, the U.S. will experience a demographic shift as the baby boomers retire, inevitably driving up pay for future workers as demand for labor outstrips supply. Third, the future will not be dominated by high-tech brain jobs—a common misperception.

Everyone knows of the financial rewards that favor people with high intelligence, education, and

skills. However, in American society, there is a second, deeper trend toward personal, face-to-face employment. Not everyone needs a Ph.D. to do well in the future. Physical therapists, personal tutors, and gardeners are examples of growing occupations that are high-skill but not necessarily high-education. It is easy to imagine an America where all senior citizens are well-cared for, all workers are coached to succeed, and all children are nurtured by personalized educators. Personal attention is a key trend in the future, and therefore in the workforce.

### The Outsourcing Ghost Story

The facts on job creation fly in the face of ghost stories about outsourcing America's jobs overseas. So far, the debate over outsourcing has been dominated by a questionable study from Forrester Research, which projects that 3.4 million service jobs will be offshored during 2000–2015. While Senator John Kerry (D–MA) and political pessimists of both parties have repeatedly quoted the study, they do not tell audiences that the lead author of Forrester's study was also a keynote speaker at a Forrester "boot camp" in Dallas on June 22–23 who "walk[ed] participants through all the components of creating and executing on taking IT services offshore."<sup>8</sup>

The Forrester estimates of outsourced jobs are not so much wrong as one-sided. One-sided views of global economics implicitly assume a zero-sum employment market and misleadingly ignore all the gains in efficiency.

An example of outsourcing in terms of *domestic* automobile manufacturing illustrates this flaw. The Forrester perspective is that every new car job that

was created in 1920s Detroit meant fewer net jobs in California. However, California did fairly well by specializing in movies, higher education, and *automobile design*.

There are only two definitive studies of outsourcing. The first comes from Global Insight, a mainstream macroeconomic modeling firm, which found that every job offshored led to efficiencies and lower prices that created two more jobs at home. However, the real watershed was a Labor Department survey of layoffs of 50 or more employees, published on June 10. The Labor Department reports that offshoring amounted to a mere 4,633 jobs in the first quarter of 2004, or less than 2 percent of the natural flow of jobs lost.<sup>9</sup>

### Conclusion

Congress has a choice: to believe the ghost stories about employment in America, which have always been popular but never come true, or to continue the American tradition of freedom in trade and investment. If Congress arrogates to itself the power to tell American companies how to operate (to save jobs, set wages, and account stock options), then it follows a well-worn path of socialist failure.

Managed capitalism is an oxymoron. Basically, Congress can choose to protect the jobs of the past or prepare Americans for the jobs of the future. It should be an easy choice.

—Tim Kane, Ph.D., is Research Fellow in Macroeconomics in the Center for Data Analysis at The Heritage Foundation. Jon Casale served as the research assistant in preparing this report.

8. Forrester Research, "Boot Camp: Taking IT Services Offshore: Getting Governance Right and Leveraging Best Practices," online calendar entry for June 22–23, 2004, at [www.forrester.com/Events/Overview/0,5158,687,00.html](http://www.forrester.com/Events/Overview/0,5158,687,00.html) (June 22, 2004).

9. U.S. Department of Labor, Bureau of Labor Statistics, "Extended Mass Layoffs Associated with Domestic and Overseas Relocations, First Quarter 2004," June 10, 2004, at [www.bls.gov/news.release/reloc.nr0.htm](http://www.bls.gov/news.release/reloc.nr0.htm) (June 21, 2004).