

8

The Labor Market

Where People Work

Goal: Unit Eight provides a basic understanding of the workings of the labor market by defining labor, distinguishing between the high wage (primary) and the low wage (secondary) labor market, and exploring categories of unemployment and underemployment. These definitions connect to labor market metrics and policies that influence benefits, such as unemployment insurance.

A. TYPES OF LABOR MARKETS:

According to some economists, the labor market contains two basic types of employment markets: primary and secondary. The type of labor market in which people are employed has a significant impact on their standard of living and economic security.

1. Primary Labor Market.¹ This market is dominated by large firms, often monopolies, with a large amount of investment capital. The firms employ skilled workers, pay well, have good fringe benefits, decent working conditions, opportunities for advancement, and provide job security. Workers in these “good” jobs tend to be unionized and therefore able to make greater wage demands than workers in a secondary labor market (see below). Historically, white males have predominated the primary labor market jobs. While these jobs still offer better wages and working conditions, the number of unionized workers in these jobs has become smaller in recent years. (Many professionals also hold “good” jobs in the service sector although they may or may not be unionized.) The service sector refers to jobs in retail fast food, health, the financial institutions, among other types of non-manufacturing jobs.

2. Secondary Labor Market.² This market is dominated by labor-intensive industries with small firms that employ low or unskilled workers in highly competitive commercial markets, and tend not to be unionized. They pay low wages, offer few fringe benefits, provide poor working conditions, offer few opportunities for advancement, and report high turnover and insecure employment. Workers in these jobs tend to be women, immigrants, and persons of color. This sector includes low-paid service as well as manufacturing jobs.

B. THE LABOR FORCE: THE EMPLOYED AND THE UNEMPLOYED

1. What is Labor? Labor is the effort of human beings engaged in the production and provision of goods and services. Commonly thought of as those who work in factories, labor, in fact, refers to all human efforts, from clerical workers to company presidents in manufacturing and service industries, in the public and private sector of the economy.³

The labor market includes all people who perform paid work. Workers in the labor market comprise part of the labor force. The labor force consists of people between 16 and retirement age who are officially employed or actively seeking employment. Persons not included in the labor force include: active duty military personnel, institutionalized persons, students, and discouraged workers. Feminists remind us that the labor of women in the home makes a significant contribution to both families and to the economy, but that it remains unpaid. Women performing unpaid labor in their home (stay-at-home moms) are not counted as part of the labor force because they are not actively seeking paid work. The same applies to stay-at-home dads.

2. Workers in the Labor Force.⁴

Employed workers are people with paid jobs. The Bureau of Labor Statistics (BLS) of the U.S. Department of Labor considers people to be employed if, during a week in which they are surveyed by the Department of Labor, they: did any work for pay or profit; did at least 15 hours of unpaid work in a family-owned enterprise operated by someone in their household; or were temporarily absent from their regular jobs because of illness, vacation, bad weather, industrial dispute, or various personal reasons, whether or not they were paid for the time off. The latter are counted among the employed and tabulated separately as “with a job but not at work” because they have a specific job to which they will return. Employed workers fall into two main groups: regular and contingent.

a. Regular Workers. Regular employees can be part-time, full-time, or seasonal employees that work solely for one legal entity.

- **Full Time Workers.** The Fair Labor Standards Act (FLSA) does not define full-time or part-time employment. This is generally determined by the employer and put in writing. The standard for full-time work has fallen from 40 hours to 37.5, 35 or 30 hours a week. There are no requirements for employers to provide benefits to employees other than those mandated by law. Benefits can include a pension, health insurance, paid vacation, and sick time. Such benefits are not usually offered to part-time employees, but that is up to the discretion of the company.⁵

- **Part Time Workers.** Part-time workers typically work fewer hours in a day or during a work week than full-time employees. They may also work only during certain parts of the year (seasonal work). Employers hire part-timers to adjust to changes in the demand for products and services. In the last decade employers have increasingly hired parttime labor to avoid paying for a range of fringe benefits that are offered to full-time employees and to lower labor costs. Individuals take parttime work for a variety of reasons including that they cannot find fulltime work, prefer part-time in order to attend school, care for children or other family members, have medical limitations, or to stay within certain income limits for tax reasons (i.e. Social Security recipients).⁶

b. Contingent Workers. Contingent workers go by various names, including temporary employees. The title refers to any worker who is contracted, leased, or borrowed by another organization, usually a staffing agency, for a fixed period of time or a specific project. Contingent workers range from high-paid consultants to low-paid unskilled workers. They often replace full-time permanent workers, receive few, if any, fringe benefits, and have limited protections or job security. These workers do not have an implicit or explicit contract for ongoing employment. The contingent workforce acts as a flexible workforce from whom organizations can hire individuals to perform specific projects or complete specialized projects.⁷



*"His entire adult lifespan is exactly eight hours.
He won't be around long enough to need benefits."*

Fig. 8.1 The Very Temporary Worker⁸

c. Underemployed Workers. A worker is underemployed when working in a job that requires less skill or training than he/she possesses, does not pay as much as one wants or expects, or is part-time when the worker requires income from full-time employment. More people fall into this category during economic hard times and when the supply of workers exceeds the demand for workers. After a long job search when people cannot find a job that meets their skills, they may feel compelled to take any job even if it does not make full use of their capacities.

The economic costs of underemployment are disproportionately borne by workers at the lower end of the income spectrum. Thus, underemployment contributes in an important way to the high and rising degree of income inequality in the United States and to growing poverty during the recession.⁹

d. Unemployed Workers. Unemployed workers are people without a paid job. There are several categories of jobless workers. The unemployment rates varies with the state of the economy as shown in Figure 8.2

Actively Seeking Work. People are classified as unemployed if they do not have a job, have actively looked for work in the prior four weeks, and are currently available for work.

Actively looking for work may consist of any of the following activities: contacting an employer directly or having a job interview with a public or private employment agency, friends, or relatives, a school or university employment center; sending out resumes or filling out applications; placing or answering advertisements; checking union or professional registers; or some other means of job search.¹¹

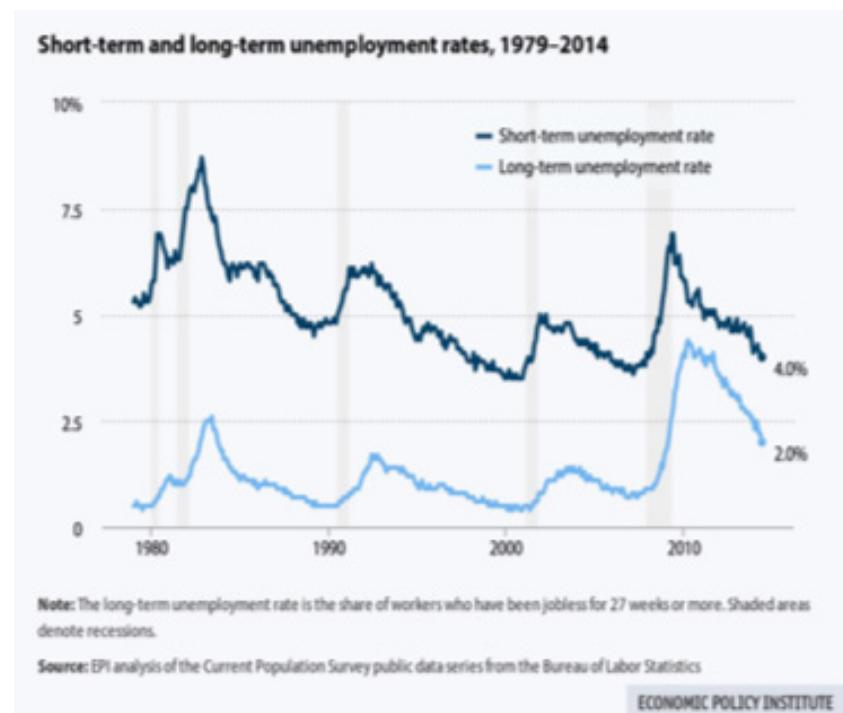


Figure 8.2¹⁰

Discouraged Workers. Discouraged workers are persons who have stopped looking for work because they believe no jobs are available for them. Because they are not currently job hunting, they are not counted in the official unemployment rate. Levels of discouraged workers are reported by the Bureau of Labor Statistics.¹² Among discouraged workers are the marginally employed who currently are neither working nor looking for work but indicate that they want and are available for a job and have looked for work sometime in the past twelve months. When official data includes discouraged workers, the official unemployment rate climbs significantly.

RESOURCE:**New York Times Article**

“Help Wanted Ads Exclude
the Long Term Jobless”

<http://www.nytimes.com/2011/07/26/business/help-wanted-ads-exclude-the-long-term-jobless.html>

Displaced/Dislocated Workers. These are workers who have been permanently laid off, or have received a layoff or termination notice from their employers due to the failure of a firm, a plant closure or a substantial layoff and are unlikely to return to previous industry or occupation.¹⁴ This term also applies to displaced homemakers. In general, a displaced homemaker is person who is at least 30 years old, unemployed and has not worked as an employee for a number of years. Displaced homemakers have worked their homes providing unpaid services for family members. They have been dependent on the income of another family member but are no longer being supported by that income. They are receiving public welfare assistance for dependent children or underemployed and finding it difficult to locate a better job. Displaced or dislocated workers may be eligible for special government benefits and job training.¹⁵

3. Underutilized Pool of Labor refers to the sum of the officially unemployed, but also jobless workers, who have given up looking for work and people who want full-time jobs but have had to settle for part-time work. This labor pool is sometimes referred to as the U-6 Measure of Labor Underutilization. It does not include people who are underemployed in the sense that they have taken a job that is below their skills, training, or experience level.¹⁶ Each of these three groups is mutually exclusive. A new term “missing workers” has surfaced to capture the workers who dropped out of (or never entered) the labor force during any downturn.

To assess the strength or weakness of the complex labor market, it is important to look at various measures of labor market health. Fig. 8.3 shows that the number of underemployed workers (i.e. unemployed, part-time and marginally attached workers) by gender. Underemployment fell during the late 1990s when the economy improved and soared during the Great Recession (2008–2009). The rate has dropped in recent year but remains higher than in the mid -1990s.

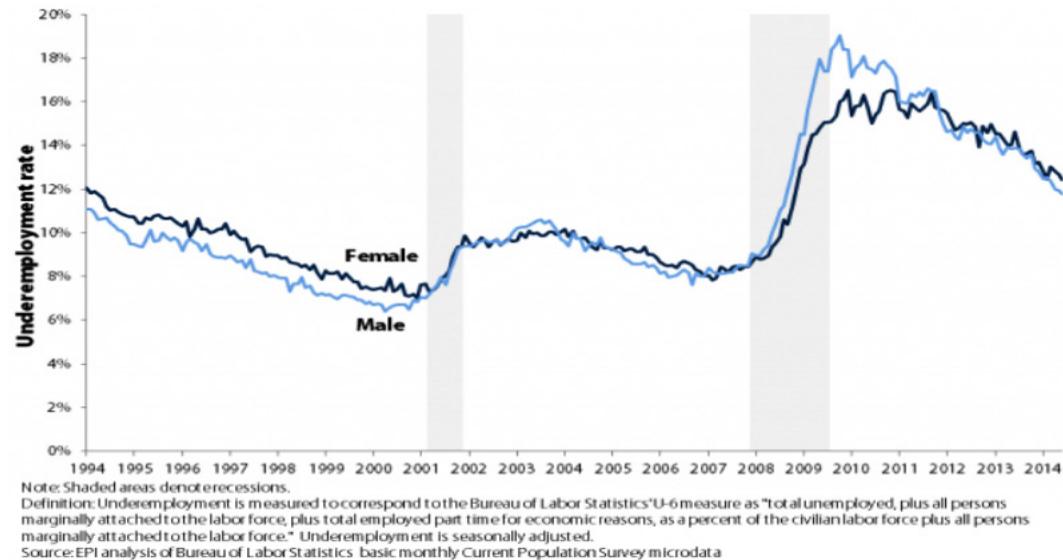


Fig 8.4 Both Genders Suffer Sustained and High Under Employment Rate Underemployment Rate of Worker Age 16 and older by gender

4. How Is Employment Measured? The government counts the number of people who are employed in various ways. **The Employment Rate**, also called the **employment-population ratio**, is the number of people 16 years or older currently employed divided by the adult population (or by the population of working age that is not institutionalized). The ratio measures the economy's ability to provide jobs for a growing population; its consistent cyclical properties and the relative accuracy of its seasonal adjustment make the ratio especially useful for evaluating demographic employment trends.¹⁸

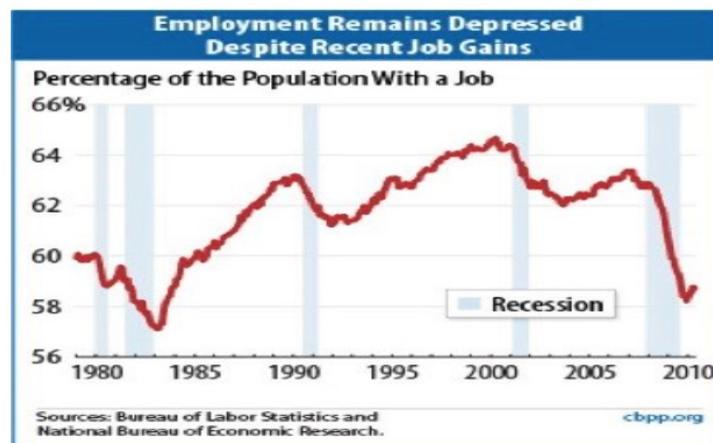


Fig. 8.5 Employment Population Ratio

The Labor Force Participation Rate is the proportion of the total non-institutionalized civilian population age 16 years and older who make up the labor force. This ratio tells us the share of the available working age populace that is willing and able to work and that is either employed or actively seeking employment. But labor force participation rates vary by age, racial, gender and ethnic group.²⁰ These differences are often linked to some form of discrimination, which makes it harder for people in these groups to find employment.

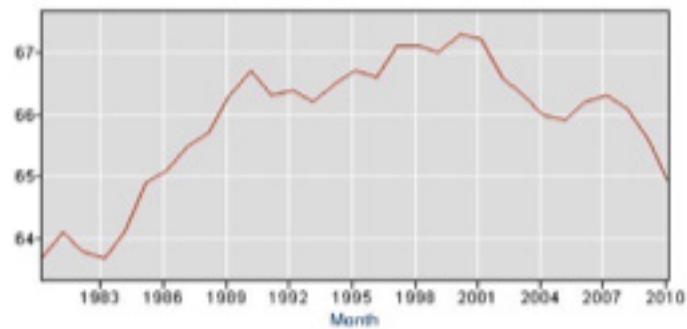


Fig. 8.6 Labor Force Participation Rate²¹

For Discussion:

Please identify the type of employment each of the following people represents and other potential service needs. Is an intervention needed? If so, what resources would be helpful?

1. Beatrice Hogan lost her job when the local plant closed down. She began visiting personnel offices. She looked intensively for over a year trying to find a job. For the past six months she rarely goes out of the house. Beatrice is afraid to spend money and feels she will never find a new position.
2. Tony Green was laid off from his job at a motor company when the firm began retooling to produce a new model car. He knows he will be called back to work as soon as the model changeover is completed. He also knows it is unlikely that he would be able to find a job for the period he is laid off. Therefore although he is available to work, he is not seeking a job.
3. Elizabeth Berg reported to the government survey that she works 40 hours per week as a sales manager for the Western Beverage Company.
4. Yvonne Rodriguez reported that two weeks ago she applied for a job as a receptionist at a Brooklyn Travel Agency and the Equity Mortgage Lending Company. She is awaiting the results of her applications.
5. Last week Linda Brown was occupied with her normal household chores. She neither held a job nor looked for a job. Her 80-year-old father who lives with her has not worked or looked for work because of a disability.
6. Marie Jenkins was thinking about looking for work in the prior four weeks but made no specific effort.

C. POLICY DEBATE

To this day mainstream economists (and most everyone else), do not consider full-time homemakers as workers because their labor is unpaid. The Women's Movement challenged this idea and called for a redefinition of women's work in the home as care work and recommended compensation. This led to a movement called Wages for Housework. The debate died down as more and more women entered the paid work force. Even so, women earn only a share every dollar earned by men.²²

For Discussion:

1. How does this layered understanding of the labor market help you understand your location in the work force, that of your family and your clients?
2. What category of employment do most of your clients fall into? How has that affected their economic security in the past few years?

NOTES

UNIT EIGHT

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