Matching good people and good jobs

Where are All the Good Jobs Going? What National and Local Job Quality and Dynamics Mean for U.S. Workers. By Harry J. Holzer, Julia I. Lane, David B. Rosenblum and Frederik Andersson, New York, NY, Russell Sage Foundation, 2011, 222 pp., $24.95/paperback.

In this book, the authors estimate trends in labor supply and demand over the 1992–2003 period for a sample of 12 states for which detailed firm and worker data are available. These data are drawn from the Census Bureau's Longitudinal Employer-Household Dynamics (LEHD) files, which uses state Unemployment Insurance quarterly reports on employees and employers melded with demographic information from Social Security records.

The resulting data set provides a very large sample of longitudinal data on workers and firms, allowing the authors to estimate person and firm "fixed effects" from which they can identify good workers and good jobs. The "worker-effect" measure represents the market value of the individual's skills and experience, while the "firm-effect" measure represents the extent to which the firm pays workers more or less than they would earn on average. Such premiums or discounts reflect productivity differences, unionization, compensating differentials for unpleasant or dangerous work, and the training and human resource policies chosen by the firm.

When the authors cross-tabulate the quintiles of worker effects with the quintiles of firm effects, they discover that workers in a given firm-effect quintile are most likely to come from the same worker quintile. This "clustering" is most evident in the first and fifth quintiles. The percentages of given quintile workers in the same firm quintile are: 1-1, 66.8; 2-2, 37.4; 3-3, 34.5; 4-4, 40.1; 5-5, 61.2. This implies that the best-qualified workers and the least-qualified workers are more likely to be matched to jobs that fit their backgrounds than are workers in the middle three quintiles. About 23 to 27 percent of a given firm-quintile's workforce consists of workers from the next-higher or next-lower work effect quintile.

There are some important trends over the sample period. The ability of workers to find good jobs is increasingly correlated with their position in the distribution of worker effects and education. On an industry basis, manufacturing provides a smaller share of jobs in the top two quintiles of firm effects, while professional services, information, and other sectors for which post-secondary qualifications are typically required provide a larger share of these good jobs. As the authors put it, "More broadly, we find a trend in which the quality of the jobs obtained by workers is more closely aligned with their personal skills…"

The authors use their data to analyze other dimensions of labor market behavior in policy-relevant ways. Among them are the impact of job changing (especially involuntary displacement) on the employment and earnings prospects of workers; differences in employment growth among larger and smaller metropolitan areas; and how net job creation is the result of firm births and deaths as well as employment growth by continuing firms. In particular, the analysis suggests that larger "high road" firms that attempt to hire better-qualified workers are the largest source of good jobs.

The authors conclude by outlining policy issues and programs that address enhancing workers' skills and encouraging the creation of more high-quality jobs. They are well aware of the financial and institutional constraints under which Federal, state and local agencies must operate, and their thoughts will be helpful to policy makers. In sum, this is a rich book in which four knowledgeable economists address labor market problems of increasing importance. I recommend it highly.

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