

MELANIE A. ZABER AND JEFFREY B. WENGER

# Limited Opportunity

## Changes in Employment and the American Middle Class

**T**he U.S. middle class is in dire need of revitalization.<sup>1</sup> The poor and near-poor face significant barriers to attaining middle-class status, while those in the middle class have seen a decline in their ranks and face a precarious future. Less than a decade ago, poor teenagers were advised to finish high school, go to work, and put off marriage and childbearing to secure their place in the middle class.<sup>2</sup> Yet this approach was insufficient then and still is now. Only half of American children will outearn their parents, and the cost of living has only increased, limiting the stretch of those earnings.<sup>3</sup> While other countries have seen a decline in the middle class, the problem is particularly acute in the United States.

Why has middle-class status become so much harder to achieve and maintain? We examine some of the current working hypotheses and the evidence for these explanations. A combination of factors—including the exportation and elimination of jobs with good pay for those without a college degree, increasing educational requirements for existing jobs, the expense of achieving educational credentials,

and a weakening of the employee-employer relationship—has threatened mobility into and stability within the American middle class.

## The Number of Middle-Income Jobs Has Declined

A middle-income job is just what it sounds like—earning in the middle of the income distribution. Most analysts consider a range of incomes in the “middle” to be somewhere between three-fourths and double the median income of approximately \$62,000 for a family of three.<sup>4</sup> Figure 1 depicts the change in employment share over time for nine occupational groups, ranked from lowest earnings (health and personal services—note that physicians and registered nurses are classified as professionals) to highest earnings (managers).<sup>5</sup> Over the past 50 years, employment shares have declined for the middle four groups, with increases coming from the tails of the earnings spectrum. This phenomenon has been characterized as a *hollowing out* of the labor market.

As industrial and production jobs disappeared, new jobs emerged. Sixty-four percent of 2018 employment was in job titles that did not exist in 1940.<sup>6</sup> Some of these new jobs have been characterized as *new-collar* jobs—jobs that require technical and soft skills training at some subbaccalaureate level.<sup>7</sup>

Not only has there been a loss of middle-income jobs, but the jobs that remain require workers with more skill. Even within a particular job or occupation, routine, manual tasks have generally been automated, whereas technological advances have increased the frequency of nonroutine analytic tasks as key job functions.<sup>8</sup> One conse-

quence is that these jobs are likely less open to lower-skilled workers without a significant investment in education and training. However, these *upskilled* jobs, reengineered to eliminate their more manual and routine tasks, are more likely to be higher-paying in exchange for increased educational requirements.

## Getting the Same Middle-Class Job Has Become Harder

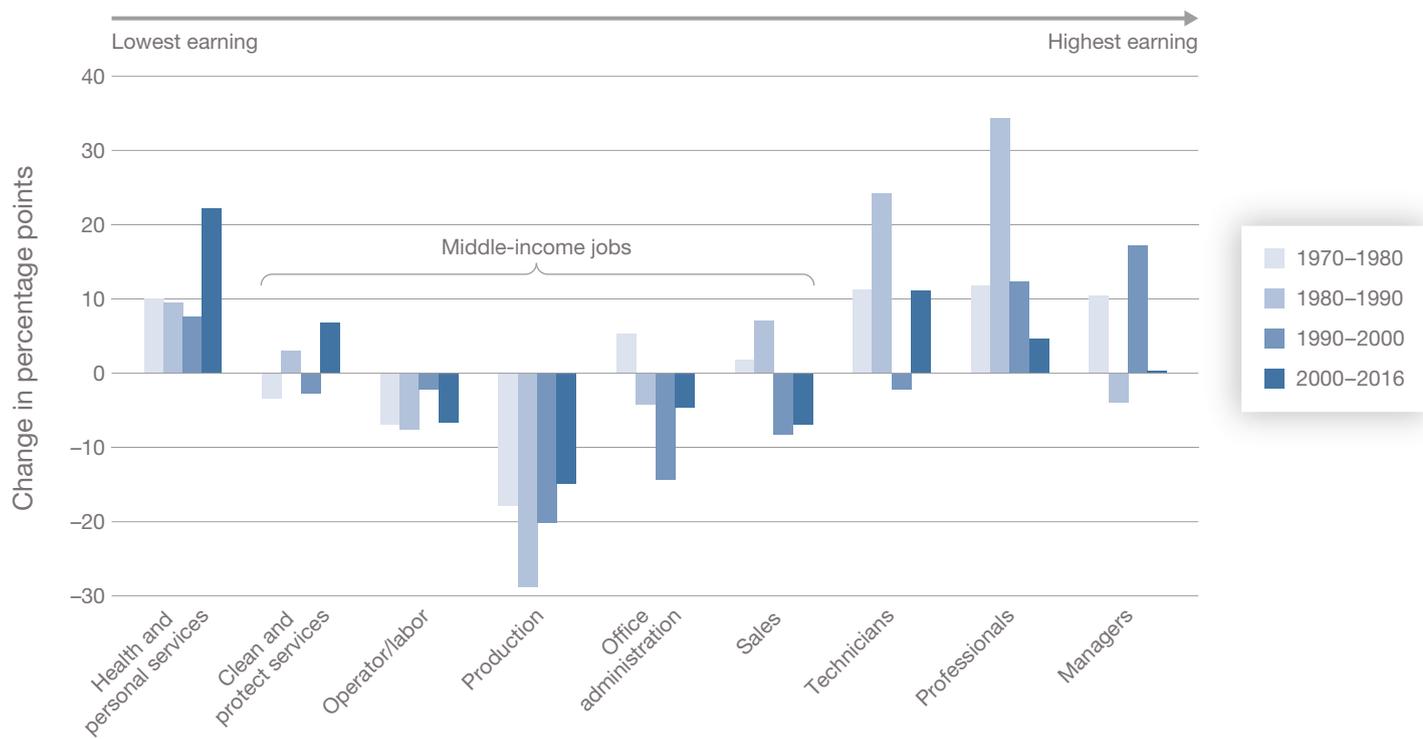
### Education

The fastest-growing occupations (such as wind turbine technicians and solar photovoltaic installers) require specialized training. Many of the occupations adding the most new jobs (as opposed to the highest *rate* of growth) also require some education beyond high school (e.g., software developer and medical assistant).<sup>9</sup> Moreover, even *within* a given occupation, education requirements appear to have increased over time. Analysis of the Occupational Information Network (O\*NET) survey shows that the education levels of workers have been increasing over time for the vast majority of occupations.<sup>10</sup> Even if the duties of a job do not explicitly require a college education (for example), the increasing education level of the pool of potential workers means that hiring managers can review a field of applicants that includes many bachelor’s degree-holders.

### Geography

Middle-class jobs are not evenly distributed across the United States. Manufacturing employment—and its accompanying pathway to middle-class wages—has declined in the United States, but not equally in all

FIGURE 1  
 Percentage Change in Occupational Employment Shares Among Working-Age Adults, 1970–2016



SOURCE: Adapted from David H. Autor, "Work of the Past, Work of the Future," *AEA Papers and Proceedings*, Vol. 109, 2019, p. 4.

areas. Manufacturing centers in Indiana, Missouri, and Wisconsin still support many middle-class families.<sup>11</sup> In contrast, technology hubs such as Boston, San Francisco, and Huntsville have more income stratification, with workers concentrated among high- and low-income populations. Place has become an increasingly important determinant of access to middle-class jobs, with smaller

metropolitan areas in the West and South providing more opportunities.

And the importance of place extends beyond region. The earnings premium from being in a city has plummeted for those without postsecondary education, declining by 50 percent between 1990 and 2015.<sup>12</sup> Workplaces that employed high-earning white-collar workers used to pay

family-sustaining wages to production and administrative workers from a range of educational backgrounds. Now, urban workers without a college degree are generally employed in lower-paying service jobs.

However, as the importance of location has increased, workers are not relocating to places with better opportunities. Geographic mobility has declined in the United States. Increasing cost of living in areas with opportunity, decreasing labor force participation, and *house lock*—reluctance to sell amid declining home values—have all been linked to the decline in mobility.<sup>13</sup> These factors combine to concentrate opportunities for upward mobility in certain parts of the United States.<sup>14</sup>

## Job Amenities Have Declined for the Middle Class

Despite increasing productivity and aggregate national income, household earnings have been relatively flat since the 1980s.<sup>15</sup> As reported by the 2015 Council of Economic Advisors, “Essentially all of the income gains that middle-class American families have experienced since 1970 are due to the rise in women’s earnings.”<sup>16</sup> In addition to stagnant wages during employment, employees can no longer count on employers for support in retirement. Pensions are now more the exception than the rule, and defined contribution plans are replacing defined benefit plans.<sup>17</sup> Additionally, the proportion of workers offered health insurance by their employers has declined, along with coverage and generosity.<sup>18</sup>

Workers no longer expect to stay at a single company for their entire career, or even for an entire decade. Internal career ladders have not been commonplace since the

1990s.<sup>19</sup> Companies today are flatter, with less potential for advancement and for trying out different roles.<sup>20</sup> Instead, workers often need to leave their companies to increase earnings or be promoted, and this increase in worker turnover is accompanied by a decline in employer investment in workers’ skills or training.

Employers are reducing their firms’ direct employment by expansive use of contract workers. Some contract workers are hired for temporary work or to take advantage of special skills. Yet a number of contract workers are employed on a regular basis in support of core objectives without the protections afforded by traditional employment arrangements. In particular, these temporary or contract workers may not receive nonwage benefits, such as health insurance coverage, or retirement benefits from the firm using their services.<sup>21</sup> This status extends beyond those who are part of the “gig economy” enabled by technology platforms and marketplaces. Maintenance workers, security guards, and delivery personnel are often not employed by the companies they support—in 2000, approximately 45 percent of janitors and 70 percent of guards worked under contract arrangements.<sup>22</sup> A more recent California-specific study identified similar fractions in contract employment, further noting that these work arrangements disproportionately affect people of color and immigrants.<sup>23</sup> David Weil, who coined the term *fissuring* to characterize this changing relationship, estimated in 2011 that at least one in five workers is employed in a fissured workplace.<sup>24</sup> This is likely an underestimate today: A 2017 survey of American workers found that one in five was employed in a contract work arrangement (not just in a workplace shared with contract workers).<sup>25</sup> These workers receive fewer benefits and are generally compensated

less for their labor, in addition to having fewer workplace protections.<sup>26</sup>

## Attaining Middle-Class Status Has Become More Expensive

In a 2019 survey, roughly 40 percent of Americans reported that they would need to borrow to cover an unexpected \$400 expense.<sup>27</sup> While this number has declined from previous waves of the survey, it suggests that financial stability escapes even some in the middle class (if the middle 60 percent is presumed to be the middle class).

Median rent increased dramatically over the past two decades, vastly outpacing the median renter's gain in income.<sup>28</sup> Coupled with an increase in home prices, this makes it harder for workers with relatively flat wages to ever save enough to achieve homeownership. Child care, essential for many dual-income families, constitutes a sizable share of young families' paychecks<sup>29</sup> and has likely increased in cost and, for many, become prohibitively expensive during the pandemic.<sup>30</sup>

## Broadening Existing Pathways and Creating New Ones

### Access and Delivery

Most of the existing pathways to the middle class lead through education. What is needed now is a broadening of access to education and a reconceptualization of how workers can acquire the skills they need to maintain a middle-class living. Many Americans will not complete a four-year course of study, instead opting for an occupational license or certification. Approximately 16 percent of workers

between the ages of 18 and 65 without a bachelor's degree hold at least one occupational credential.<sup>31</sup> Developing programs aligned with employer demand for these skills is key to broadening the educational pathway to the middle class.

A highly qualified workforce enables firms and entrepreneurs to design and create jobs to take advantage of those skills. There are many burgeoning fields that will create completely new jobs that do not yet have codified skill pathways. One challenging frontier will be developing infrastructure to identify the skills needed by employers and match those demand signals to providers of education and training that can create ways of delivering the skills.

Education and skills training need not be entirely the worker's responsibility. In a rapidly changing environment, employers can help employees keep their skills relevant by providing training on-site or partnering with a local or online provider. Yet a survey from Working Nation suggests this is a rare occurrence—two in three workers surveyed reported that they had never been offered skills training by their employers.<sup>32</sup> It is unclear whether that represents a low fraction of employers providing training or a low number of employees aware of these opportunities, but, in either case, training was functionally inaccessible to the majority of surveyed workers.

Moreover, at workplaces where training is offered, it may reinforce existing educational or career gaps. Leveraging a survey panel of workers in Germany, researchers found that those performing many routine tasks receive less training. This result was echoed in a firm-focused analysis of lower-skill workers, which found that employees performing nonroutine tasks were more likely to receive training than those performing routine tasks.<sup>33</sup> Among employers who do offer training, the majority

of their training resources are directed to workers who already have a bachelor's degree or more.<sup>34</sup> In cases where employers underinvest in on-the-job skills training (owing either to information asymmetries or lack of competition), employers resort to “spot hiring” employees or contractors who already have the requisite skills, contributing to lower within-firm productivity and lower wages for their own employees.

### Areas for Future Research

1. As wages stagnate and middle-class jobs are eliminated or rescoped by technology, more research is needed to identify which of the emerging new-collar jobs can provide family-sustaining wages (without a bachelor's degree) and how employers and education and training providers can collaborate to provide the necessary infrastructure for rapid skill acquisition.

2. Some occupations' skill sets (e.g., construction) are utilized across industries, potentially providing workers with better prospects in economic downturns compared with those with skills more tied to one industry (e.g., extraction). Investigating which educational and occupational pathways provide longer-term stability amid automation and economic uncertainty will provide a more stable middle class.

3. Short-term educational pathways are expanding and may feel more accessible given their lower cost, shorter commitment, and often asynchronous nature. Yet a lack of data means we have a limited understanding of shorter-term educational pathways, and so education-seekers have little reputable guidance to navigate the expanding set of certificates, certifications, bootcamps, and other programs.<sup>35</sup>

### Protecting the Old and Building the New

Many of the good jobs that are available to those without four-year college degrees (such as computer support specialist, transportation worker, and physical therapist assistant) may be at risk of being contracted out or franchised—or, as discussed earlier, fissured. If these jobs become fissured—disconnected from the firms that provide good wages, health insurance benefits, and other workplace

4. Entrepreneurs—those who start and maintain businesses, work as independent contractors, or are self-employed—play a key role in job creation and innovation. Recent structural changes in the marketplace, such as increased online spending and the rising influence of big tech companies, present challenges as well as opportunities for new businesses. More research is needed to better understand how best to support entrepreneurs in this changing landscape, so that they can create middle-class jobs for themselves and their future employees.

5. Technology governs the daily routines of many workers, especially those employed in the gig economy. Single-firm gig employment platforms typically offer no upward mobility and consequently afford limited opportunity to gain entry to the middle class. Additionally, technology, such as sorting algorithms, is becoming the gatekeeper for job screening. Screening solely based on educational credentials will limit access to skilled jobs for many qualified applicants and can reinforce existing disparities and biases. More research is needed to understand how technology can support, rather than supplant, career ladders for all Americans.

guarantees—then this pathway to the middle class will likely narrow, limiting access.

There are current and continuing efforts to provide training and skills acquisition to workers as skill requirements evolve. Warehouse workers will take on new responsibilities for maintaining machinery, debugging, prioritiz-

ing, and troubleshooting. There are also many burgeoning fields that will create new jobs with unknown skill requirements, demanding rapid infrastructure changes both within employers and at education and training institutions in response to new demand.

## Notes

<sup>1</sup> Wenger and Zaber, 2021.

<sup>2</sup> Haskins, 2013.

<sup>3</sup> Chetty et al., 2017.

<sup>4</sup> Wenger and Zaber, 2021.

<sup>5</sup> Autor, 2019.

<sup>6</sup> Autor, Salomons, and Seegmiller, 2021.

<sup>7</sup> Bubenik, 2019.

<sup>8</sup> Atalay et al., 2018; Atalay et al., 2020.

<sup>9</sup> U.S. Bureau of Labor Statistics, 2020.

<sup>10</sup> Krivacsy and Uher, 2016.

<sup>11</sup> Beerube, 2018.

<sup>12</sup> Autor, 2020.

<sup>13</sup> Demyank et al., 2017; Abraham and Kearney, 2020; Aaronson and Davis, 2011; Graham and Pinto, 2021.

<sup>14</sup> Chetty et al., 2014.

<sup>15</sup> Wenger and Zaber, 2021; U.S. Census Bureau, 2020.

<sup>16</sup> Council of Economic Advisers, 2015, p. 157.

<sup>17</sup> Butrica et al., 2009; Wiatrowski, 2011.

<sup>18</sup> Gould, 2012; Rae et al., 2020; Buchmueller, DiNardo, and Valletta, 2002.

<sup>19</sup> Claman, 2012.

<sup>20</sup> Claman, 2012.

<sup>21</sup> Noguchi, 2018a.

<sup>22</sup> Weil, 2019.

<sup>23</sup> Hinkley, Bernhardt, and Thomason, 2016.

<sup>24</sup> Weil, 2011.

<sup>25</sup> Noguchi, 2018b.

<sup>26</sup> Dube and Kaplan, 2010; Weil, 2011.

<sup>27</sup> Durante et al., 2019.

<sup>28</sup> Mazzara, 2019.

<sup>29</sup> Laughlin, 2013; Malik, 2019.

<sup>30</sup> Workman and Jessen-Howard, 2020.

<sup>31</sup> Baird, Bozick, and Zaber, 2021.

<sup>32</sup> Schindelheim, 2021.

<sup>33</sup> Görlitz and Tamm, 2016; Mohr, Troeltsch, and Gerhards, 2016.

<sup>34</sup> Carnevale, Strohl, and Gulish, 2015.

<sup>35</sup> Mulhern and Zaber, 2021.

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## About This Perspective

Moving into and staying in the American middle class has become more challenging over time—but there’s no single culprit. In this Perspective, we discuss a number of subtle but important changes over a relatively long period that have blocked many middle-class pathways. Less-educated workers face a smaller set of middle-income jobs. The good jobs that remain have increased educational requirements. The American labor market has been hollowed out. Those who are employed hold jobs that are less stable, provide fewer benefits, and may not lead to longer-term careers within a company. There is a lack of internal infrastructure to invest in workers, particularly those in roles most susceptible to automation. Consequently, sustained effort toward building new pathways will take many years. The authors provide a series of potential starting points.

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## RAND Lowy Family Middle-Class Pathways Center

This research was conducted within the RAND Lowy Family Middle-Class Pathways Center. The center aims to identify ways

to create and sustain middle-class employment in the face of rapidly changing labor-market conditions. The center is part of RAND Education and Labor, a division of the RAND Corporation that conducts research on early childhood through postsecondary education programs, workforce development, and programs and policies affecting workers, entrepreneurship, and financial literacy and decisionmaking.

For more information about the RAND Lowy Family Middle-Class Pathways Center, visit [www.rand.org/mcpc](http://www.rand.org/mcpc). For more information on RAND Education and Labor, visit [www.rand.org/education-and-labor](http://www.rand.org/education-and-labor).

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