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CHANGES IN JOB STABILITY AND JOB SECURITY:  
A COLLECTIVE EFFORT TO UNTANGLE, RECONCILE,  
AND INTERPRET THE EVIDENCE

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Changes in Job Stability and Job Security: A Collective Effort to  
Untangle, Reconcile, and Interpret the Evidence

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### **ABSTRACT**

I synthesize and summarize a set of recent papers on changes in the employment relationship. The authors of these papers present the most up-to-date and accurate assessment of their evidence on changes in job stability and job security, and attempt to reconcile their evidence with the findings of other research, including the other papers discussed herein. Some of papers also begin to explore explanations of changes in the employment relationship.

The evidence suggests that the 1990's witnessed some changes in the employment relationship consistent with weakened bonds between workers and firms. But the magnitudes of these changes indicate that while these bonds may have weakened, they have not been broken. Furthermore, the changes that occurred in the 1990's have not persisted very long. It is therefore premature to infer long-term trends towards declines in long-term employment relationships, and even more so to infer anything like the disappearance of long-term, secure jobs.

The papers examining sources of changes in job stability and job security in the 1990's point to some potential explanations, including relative wage movements, growth in alternative employment relationships, and downsizing. However, with the possible exception of the first of these, this list does not encompass "fundamental" or exogenous changes impacting the employment relationship, but rather to some extent suggests how various changes in the employment relationship may reinforce each other. Understanding the structural changes underlying empirical observations on changes in job stability and job security is likely to be a fruitful frontier for future research on the employment relationship.

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## I. Introduction

At a symposium at the Federal Reserve Bank of New York in the fall of 1996, various researchers presented their findings on changes in long-term employment relationships in U.S. labor markets. The researchers focused on two dimensions of these relationships: “job stability,” meaning the duration of jobs or the probability of retaining or leaving a job; and “job security,” referring to the likelihood of experiencing involuntary job loss. The disparity of the conclusions was striking. Some, including me, reported “nothing new under the sun.” Despite intense media attention, culminating in the 1996 *New York Times* series “The Downsizing of America,” overall changes in the stability of jobs over the 1970's and 1980's were trivial or non-existent. Others, in contrast, reported substantial declines in job stability. Similar, if slightly less sharp disagreements emerged over job security, with some research indicating sharp declines, and others reporting only modest declines, or speculating that the increased job loss reflected changes in survey methods rather than real changes in the economy.

Towards the end of the day, Eric Wanner, President of the Russell Sage Foundation, which helped fund the symposium, wondered what research foundations could do to help resolve these contradictions and provide a clear picture of labor market developments in the United States. Somewhat facetiously, I suggested that the Foundation ought to lock the various researchers in a room and not let us out until we figured out exactly what the data really said about these issues.

Some time later, substituting comfortable surroundings, nice meals, and nominal financial inducements for a lock on the door, many of the researchers active in this debate convened and embarked on just this task. The process began with a conference at which researchers presented papers that pursued two goals: first, to present the most up-to-date and accurate assessment of

their evidence on changes in job stability and job security; and second, to attempt to reconcile their evidence with the findings of other research, including both earlier papers and those presented at the conference. In addition, papers were invited that began to explore possible explanations of any changes in the employment relationship that emerged from the ongoing research, adding a vital component to what had to that point been largely a debate about empirical facts—a necessary first step, but an incomplete research agenda. Following the conference, in addition to the usual process of review and revision of the papers, a deliberate effort was made to push the contributors in the direction of reconciling, whenever possible, contradictory findings among the papers, or with respect to other research on job stability and job security. The final product of this process is represented in this volume.

As the title of this chapter suggests, this process was unique in its collective effort to establish a consensus on the empirical evidence across numerous papers using a variety of data sets. Besides assembling a set of new papers that would generally advance our knowledge about changes in job stability and job security, we also set out to push a research “model” that focuses a number of papers simultaneously on the same topic, with a strong emphasis on delineating points of reconciliation, points of continued disagreement, and wherever possible the reasons for each. This emphasis gives this conference volume a unique flavor. It is hard to read this book and not come away believing that the set of papers as a whole—but in some sense *only* as a whole—substantially pushes forward our knowledge regarding changes in the employment relationship.

In this introductory chapter I briefly summarize the original findings presented in each paper, and then move on to what each paper has to say about findings in the previous literature and in the other conference papers. This provides a synthesis that is somewhat difficult to obtain

from reading the individual papers, unless the reader were to engage in his or her own detailed process of comparing and contrasting these papers, which are filled with a rather bewildering array of discussions about data issues, measurement problems, alternative estimates, and references to other research findings. I therefore hope that this synthesis helps the reader absorb the contributions of this research more easily.<sup>1</sup>

In addition to their contribution to the debate over the changing employment relationship, I believe readers will also find in these papers a wealth of useful suggestions and insights regarding the measurement of worker-employer attachments (tenure, job separations, job loss, etc.) in many of the main data sets that labor economists use in a variety of applications. This results from what is probably the most serious attention such issues have received. My guess is that this product of the research contained in this volume will prove indispensable not only in future research on changes in the employment relationship, but also in a much wider body of research on job mobility, job attachment, and job loss.

## II. Job Stability

### *Untangling the Evidence*

The first five papers in the volume address the issue that has figured most prominently thus far in the ongoing research and debate over changes in the employment relationship—whether the distribution of the duration of jobs has changed appreciably in the U.S. economy in recent years, and in particular whether jobs have become less stable. Four of these five papers (by Jaeger and Stevens, Neumark, et al., Bernhardt, et al., and Gottschalk and Moffitt) use the main secondary data sources available to labor economists to study this question, and are distinguished from previous research by two main features: updating evidence through the mid- to late-1990's; and serious attempts at verifying and more importantly reconciling the evidence from earlier

studies and alternative data sources. The fifth (by Allen, et al.) casts another look at this question using a proprietary data set on a small sample of large employers, providing a narrower look at the question, but one that addresses the important issue of changes in the employment relationship at the largest corporations. Table 1 summarizes the findings of these papers in a form that enables easy comparison of data sets, samples, sample periods, the “definition” of stability, and results. Because this table is provided, my summary of each paper is brief, and restricted to findings on job stability.

The paper by Jaeger and Stevens studies the evolution of job stability over the 1970's, 1980's, and 1990's using the two primary data sources exploited in the earlier research: the Panel Study of Income Dynamics (PSID); and the various tenure supplements of the Current Population Survey (CPS). Whereas past research has used primarily one data set or the other, this is the first research to attempt to use these two sources of data while doing everything possible to ensure that at the end of the day we are looking at comparable measures from the two sources. Jaeger and Stevens look at job duration at both the “short” and “long” end of the distribution, by measuring changes over time in the shares of workers with less than 18 months of tenure, and with less than 10 years of tenure. The former measure is closely related to turnover, since an increase in the fraction of workers with low tenure would occur if workers were leaving or losing their jobs (and becoming reemployed) at higher rates. The 10-year measure captures the extent to which workers are accumulating high amounts of tenure on the job. It is not as closely related to turnover per se, as average tenure could be rising while the proportion with 10 or more years of tenure is shrinking.<sup>2</sup> Jaeger and Steven find consistent results in the PSID and in the CPS tenure supplements, indicating that the share of workers with less than 18 months of tenure rose over the early part of the sample period, but not since about 1983. In contrast, for men the share with

less than 10 years of tenure began to increase in the late 1980's.

Neumark, et al., update the evidence on job stability based on CPS tenure supplements by extending into the 1990's the type of estimates presented in their earlier work. Rather than looking at point-in-time distributions of tenure or some transformation thereof (like the share with tenure below some cutoff), they string together tenure supplements to estimate retention rates, which are free of the influence of factors such as changes in participation.<sup>3</sup> Overall, though, the findings are quite consistent with those of Jaeger and Stevens. Shorter-term (four-year) retention rates were largely unchanged for the sample as a whole over the sample period (1983-1995). In contrast, longer-term (eight-year) retention rates fell in the early 1990's, and both rates fell for higher-tenure and older workers, and more so for higher-tenure managerial and professional workers. These results point to a weakened tendency, in the short-run at least, for managerial and professional workers to remain in long-term jobs.

Bernhardt, et al., look at job stability by comparing two-year job separation rates across cohorts of young white men in the National Longitudinal Surveys (NLS). This is an alternative data source to the PSID or CPS that offers some advantages the authors describe (most importantly, a unique employer code), but also presents potential problems of changes over time stemming from differences in survey methods used for the two NLS cohorts. The authors are careful to consider fully issues that arise because of differences between the surveys, and they present a relatively compelling case that their findings of substantially higher separation rates in the later NLS cohort reflect a real behavioral change. Their results compare one cohort followed over the period 1966-1981 with another cohort followed over the period 1979-1994. Thus, their findings of higher separation rates in the more recent cohort to a large extent compare the 1970's with the 1980's, and hence are not inconsistent with evidence reported in other papers in this

volume finding some declines in job stability over the 1970's and early 1980's (e.g., Jaeger and Stevens), but not during the 1980's. In addition, their data are restricted to relatively young men, in contrast to most of the other analyses discussed in this chapter.

Bernhardt, et al., also broach the interesting question of whether the consequences of job changing have shifted over time, reporting that the wage returns to job changing have declined and become more unequal. While there is not enough material in the papers in this volume to reach definitive conclusions regarding this issue, I would argue that research along these lines has a valuable role to play. Much of the recent debate has been about empirical measurement of changes in the employment relationship. But little if any research has asked “So what?” To know what to make of the evidence on changes in the employment relationship, we need a better idea of what the consequences of such changes are.

The study by Gottschalk and Moffitt is the first to look at job stability using data from the Survey of Income and Program Participation (SIPP). The SIPP data offer two advantages. First, monthly data allow the study of short-term dynamics, thus adding a dimension to the study of job stability that is quite important, given that a high fraction of workers (about 20 percent) are in jobs with less than one year of tenure. Second, the SIPP includes 32 months of job history data with unique identifiers throughout each panel. Looking first at one-year separation rates, the authors reach conclusions similar to those of Jaeger and Stevens—namely, that one-year separation rates did not increase over the 1983-1995 period. Looking at monthly separation rates, Gottschalk and Moffitt find no trend increase, and if anything a decline from the mid-1980's through the early 1990's.<sup>4</sup> Like Bernhardt, et al., these authors also devote some attention to the consequences of job changes, finding, in contrast to that paper, no downward drift in wage gains associated with job changes.

Finally, Allen, et al., study a data base of consulting clients of Watson Wyatt Worldwide. These data cover the 1990's only, and principally permit comparisons of tenure distributions over this period. The firms in these data display a fairly high degree of downsizing, which may of course be related to their selection into a sample of consulting clients. The key finding that Allen emphasizes is that—putting aside the impact on “downsized” workers—the average tenure of the workforces in this sample of firms rose over the 1990's, as did the percentages of workers with 10+ or 20+ years of tenure. Moreover, while retention rates were naturally lower in downsizing firms (with downsizing defined simply as reducing employment), the differential appears for lower-tenure, rather than higher-tenure workers. In other words, whether or not firms are downsizing, in these data we do not observe declining representation of high-tenure workers. However, because these data are not representative and cover a relatively short period, it is not clear that we want to characterize this evidence as undermining the conclusion from representative samples that it was high-tenure, not low-tenure, workers who experienced the decline in stability in the 1990's. One possible reconciliation is that the types of very large corporations represented in these data may have experienced different patterns of job separations.

### *Reconciling the Conflicting Findings*

Having described the basic findings in each paper, I next summarize the evidence that explicitly attempts to reconcile or in some cases verify the findings in these papers and other research regarding changes in job stability. This evidence is presented in a condensed form in Table 2, permitting a brief summary here.

Jaeger and Stevens address the vexing issue of why past research based on the PSID (Marcotte, 1996; Rose, 1995) reported declines in job stability over the 1980's, while evidence based on CPS tenure supplements indicated little decrease in job stability from the 1970's to the

1980's or in the 1980's. As already noted, Jaeger and Stevens conclude, based on their analysis of PSID and CPS data, that there was no increase in the share of workers with low tenure over the 1980's or through the mid-1990's, but that stability fell from the 1970's to the 1980's. They attribute the contrast to earlier PSID studies to changes in questions in the 1980's that inflated measures of turnover in that period, and to sensitivity to the sample period, with studies ending in the late 1980's coincidentally using as their end date the peak in the share of workers with low tenure (less than 18 months). On the other hand, they argue that in contrast to CPS studies of the 1970's versus the 1980's, there appear to have been some relatively small but real decreases in job stability over this period, which are masked by changes in the CPS tenure question in 1983. An important conclusion from this paper is that, in contrast to the impression one might have gotten from the contradictory findings in the earlier research, the PSID and CPS yield similar findings when used in a comparable manner. Aside from helping to settle issues regarding trends in job stability, this ought to reassure researchers requiring information on turnover, who might sometimes find the CPS and other times the PSID better suited to answering particular questions. Jaeger and Stevens also present some evidence suggesting that the findings of Bernhardt, et al. and the earlier findings of Monks and Pizer (1998) of an increased separation rate from roughly the 1970's to the 1980's, based on the NLS surveys, are reflected in the PSID data, which indicate what they characterize as a “strong” increase in the fraction of young men with low tenure (in their data, from 1976 through 1988).

Neumark, et al., do not focus quite as much on the reconciliation of conflicting evidence from different data sources. However, the extension of their earlier research through the mid-1990's provides a significant “check” on the consistency between anecdotal and media reports of declines in long-term jobs and evidence from representative samples. As suggested in Neumark

and Polsky (1998), part of the earlier disagreement between “evidence” from these two types of sources may have been that the latter, research-based evidence lagged the media and anecdotal reporting, and may therefore have failed to pick up the changes that were occurring most recently. They conclude that their evidence of declines in job stability for more-tenured workers overall in the 1990's, especially for managerial and professional workers, is in part consistent with anecdotal evidence reported in the media, though they caution against drawing conclusions regarding long-term trends, since these changes show up mainly in the first part of the 1990's.

The part of the Bernhardt, et al., paper analyzing changes in separation rates largely revisits an earlier paper using the NLS cohorts, by Monks and Pizer (1998), which reported rather sharp declines in two-year retention rates between the NLS cohorts. After considering the potential role of measurement issues, differences in attrition (which is plausibly associated with measured job retention), and some other empirical issues, they largely confirm the Monks and Pizer results, finding if anything a larger decline in job stability.

Finally, the Gottschalk and Moffitt paper is not devoted to reconciling conflicting evidence, but rather to presentation of evidence on short-term dynamics from the SIPP. However, to ensure that any differences they find are not due simply to differences between data sets, they first endeavor to verify that the SIPP and the PSID, when used longitudinally and in a comparable fashion to study yearly turnover, yield similar results. In addition, because past research with the PSID did not really treat it as a longitudinal data set, but instead as a series of cross-sections, an important by-product of their “benchmarking” of the data is showing that when the PSID data are used longitudinally, they give very similar results to those obtained when using the PSID as a series of cross-sections; although estimated separation rates shift, the time-series pattern of no upward trend remains the same. Again, this is of interest to researchers who may be

measuring job stability or turnover with other questions in mind that require longitudinal data.

### III. Job Security

While the research on job stability focuses on the duration of jobs, another critical dimension is what has come to be labeled job security. The distinction between job stability and job security was introduced as a means of sharpening the interpretation of different types of changes in the employment relationship.<sup>5</sup> A decline in job durations might be construed as positive or negative, depending on whether workers' jobs were ending involuntarily, or instead because workers were quitting more frequently to take better jobs (such as occurs to some extent in an economic expansion). A decline in job security, in contrast, refers specifically to a decline in job durations attributable to increased involuntary job loss, an unambiguous "bad" from the perspective of workers. Tracking changes in both job stability and job security is important for understanding how the employment relationship is changing. As in the previous section, Table 3 presents the evidence on changes in job security in a condensed form, while Table 4 summarizes the attempts at reconciling the conflicting evidence.

#### *Untangling the Evidence*

The paper by Valletta reports evidence on changes in the probability of dismissal over the 1976-1992 period using the PSID. Valletta estimates how this probability has changed differentially for high- and low-tenure workers, how this probability varies (overall, and with tenure) in declining versus expanding sectors, and how the latter relationships have changed over time. These particular empirical analyses are motivated by what is one of the first attempts in this growing literature to offer a theoretical framework for interpreting the empirical analysis. In particular, Valletta attempts to estimate parameters that might reflect behavior in the context of implicit employment contracts that are designed to overcome incentive problems and imperfect

monitoring, and changes in the terms of such contracts, although he acknowledges that the theoretical framework does not impose enough structure on the empirical analysis to test sharp hypotheses. Nonetheless, there is evidence consistent with the general implicit contracts approach, in particular the diminution of the effect of tenure in reducing dismissal probabilities in declining sectors, which Valletta interprets as employer default on delayed payment contracts in the face of adverse shocks. In light of this framework, the upward trend in dismissals for high-tenure workers, and a similar upward trend in quits, suggest some change in the incentives or behavior underlying long-term implicit contracts. Valletta's paper clearly establishes a case for trying to incorporate more theoretical analysis into what has until now been a purely empirical research agenda.

Stewart's contribution to the job security literature is to develop a time-series on job loss that can be used as an alternative to those based on the PSID and Displaced Worker Surveys (DWS), which have been used to date. As Stewart points out, neither of these latter two data sources provides consistent measures of job loss over time. The changes in questions over time in the PSID were already discussed and have received careful attention in previous research (e.g., Polsky, 1999). The changes in the DWS are more recent, but their impact on estimates of changes in job loss in the 1990's is potentially serious. (See Polivka and Miller, 1998; Farber, 1998b; Polivka, 1998). Stewart, instead, looks at the rate of employment-to-unemployment transitions in the CPS over a thirty-year period. While such transitions are not synonymous with job loss—since some job losers go directly to other jobs—they offer an alternative perspective. Stewart then reports findings that draw some potentially interesting contrasts with the existing literature. He finds that the rate of transition to unemployment increased in the 1980's relative to the 1970's, but did not increase in the 1990's. For example, for most groups this rate was lower

during the 1990 recession than during the more severe 1982 recession. However, this was reversed for some groups that typically are quite insulated from recession-induced spells of unemployment, including more-educated workers, more-experienced workers, and white-collar workers. This may provide some support for the greater media attention and—in my view—hyperbole regarding decreased job stability and job security in the 1990's. In particular, media attention may have increased in part because the peers of those in the media were experiencing far greater dislocation than they had at other times.<sup>6</sup>

Schmidt presents a different kind of evidence altogether, namely estimates of how workers' *perceptions* regarding job security have changed over time. Using the General Social Survey (GSS) from 1977-1996, Schmidt studies changes over time in the perceived likelihood of job loss or layoff (in the next 12 months) and the perceived likelihood of job loss coupled with the perceived difficulty of finding a job with similar income and benefits; she refers to the latter combination as “costly job loss.” Since these are unconventional data to bring to bear on the question of changes in job security, it is useful to consider what they can tell us. There are at least three ways to interpret the GSS data, all of them potentially informative. One is as a “check” on the objective findings from other data sources. If workers' perceptions parallel evidence on job loss from the PSID, DWS, and CPS, then the strength of that evidence would be bolstered. On the other hand, if we found undue pessimism in workers' subjective assessments, we might attribute this to exaggerated claims in the media and elsewhere regarding the decline of long-term employment relationships. Second, these data may be informative about changes in the distribution of the probabilities of job loss, as they measure *ex ante* probabilities that workers may face job loss, rather than *ex post* measures of actual job loss. For example, an employer could lay off a higher-than-normal fraction of its workforce, but commit to lifetime job security

for the remaining workers, in which case we might observe more job loss, but increases in perceived job security for many workers. Third, “security” is, in essence, a subjective characteristic, and a change in workers’ subjective assessment of their job security—whether or not validated in observed behavior for the same period—may still have implications for labor market behavior. For example, as Schmidt suggests, drawing on testimony by Federal Reserve Board Chairman Alan Greenspan, a greater perceived threat of job loss could moderate wage inflation demands; yet if these demands do indeed moderate wage demands, the threat may never be realized.<sup>7</sup>

Schmidt’s evidence suggests that, in terms of workers’ perceptions of job security, the 1990’s were different from the earlier decade-and-a-half. While perceived risk of job loss generally and of costly job loss in particular both rise during a recession, workers were more pessimistic in the period following the 1990-1991 recession than in earlier comparable periods, although the perceived risks of both types of job loss declined following the recession. In common with the other work on both job stability and job security, these findings do not establish any long term trends, while pointing to some unique developments in the early- to mid-1990’s. More importantly, perhaps, Schmidt’s research suggests the value of more careful analysis of how data on workers’ perceptions of job security can further our understanding of labor market developments—not limited to changes in job stability and job security.<sup>8</sup>

### *Reconciling the Conflicting Findings*

There is not as much conflicting evidence in the prior literature on job security as there is on job stability. Across most of the existing papers, including those in this volume, there is some evidence of declining job security. The disagreements focus more on the timing of the changes, in particular whether job security declined in the 1990’s. This is, of course, an important issue, as

tests of potential explanations of changes in job security will to some extent hinge on the coincidence of timing of changes in job security and the causal factors under consideration.

Although not central to their analysis, Gottschalk and Moffitt replicate some PSID results on changes in involuntary terminations based on careful consideration of how best to use the PSID in a consistent manner over time. Based on these replications, they conclude that the findings from the PSID reported in Boisjoly, et al. (1998)—that involuntary terminations rose over the 1970's and 1980's—were driven by increases from the 1970's to the 1980's, but not increases over the 1980's. Note that this squares with Stewart's conclusions noted above, and also in Table 4, which points out that in his data there was little change in job security from the mid-1970's through the mid-to-late 1990's.

Aside from addressing the evidence in Boisjoly, et al., Stewart also carefully explores two other sets of findings on changes in job security from the previous literature. He devotes most of his attention to Farber's (1997b) conclusion based on the DWS that the rate of job loss increased over the 1990's (from 1991-1993 to 1993-1995), a finding not replicated in Stewart's data. Stewart is cognizant of the fact that his employment-to-unemployment transitions do not necessarily measure the same thing as job loss in the DWS. But following careful consideration of discrepancies between the two measures, and the effects of changes in the DWS questionnaire, he concludes that changes in the questions in the 1996 DWS (covering the 1993-1995 period) resulted in more job leavers being classified as job losers than in previous surveys, and that the job loss rate actually did decline in this period.

Finally, Stewart also revisits the evidence in Monks and Pizer (1998) reporting an increase in the rate of job loss across the NLS cohorts. Stewart finds consistent evidence in the CPS data for some education groups (those with only a high school education), but no rise for

other groups (college graduates or those with some college). Whereas other authors have speculated that the NLS findings (including possibly those by Bernhardt, et al., on job stability) may be driven by differences between the survey methods used for the different NLS cohorts, Stewart suggests that this is unlikely to be the case, as this explanation would tend to apply across all schooling groups, not just isolated ones.

#### IV. Interpreting and Understanding Sources of Change in the Employment Relationship:

##### A Beginning

The papers discussed to this point parallel the existing research on job stability and job security in that they focus primarily on measurement of changes in these characteristics of the employment relationship. While an accurate description of changes in job stability and job security is of course critical, especially in light of the disagreements in past research, it is equally imperative to begin to develop an understanding of why any changes may have occurred. Job stability and job security are, after all, only symptoms of underlying behavioral changes. Among the previous papers, only Valletta's emphasizes this point explicitly, but his focus is theoretical. The final four papers in the book, in contrast, seek to understand which changes in the behavior or decisions of employers and in the choices of workers underlie changes in job stability and job security. Because this inquiry is new, and not as focused on a previous literature, these papers are a bit more eclectic than the other ones in the book in terms of types of behaviors, decisions, or outcomes studied.

Levenson focuses on changes in part-time and temporary work (i.e., employment in the temporary staffing industry). He considers both voluntary and involuntary part-time work, because the latter, in particular, is thought to correspond more to the "menu" of jobs that firms offer workers in the labor market, although this presumption is questioned in his paper. Overall,

the rate of involuntary part-time employment has grown since the 1970's, although this growth occurred principally between the 1970's and 1980's (see Levenson, 1996, for a thorough analysis of overall trends in part-time employment). The rate of temporary employment increased sharply after the 1970's, though it grew from a very small base and therefore remains low. Levenson first documents that involuntary part-time work has grown faster for low-skill men and women than for high-skill men and women, and that voluntary part-time work and temporary employment increased faster for low-skill men. These findings provide the jumping-off point for his inquiry. The growth in involuntary part-time and temporary work appears to be part and parcel of the shift toward increasingly “bad” jobs offered to low-skill workers. Although not documented in this paper (see, however, the Farber paper discussed below), these jobs are likely less stable and secure, thus suggesting a link between the types of jobs some firms are offering and changes in job stability and job security.

However, Levenson considers an important alternative hypothesis. We know that wages of low-skill workers fell over the past couple of decades, both absolutely (in real terms) and relative to high-wage workers, and that this is in part responsible for relative declines in labor force participation among low-skill individuals (e.g., Katz and Murphy, 1991; Juhn, 1991). Levenson builds on this research by asking whether the relative rise in involuntary part-time and temporary work among low-skill workers in fact reflects a voluntary labor supply response to lower wages. With respect to part-time work this would imply, of course, that the “involuntary” distinction used in the CPS may not be meaningful, reflecting an inability to find full-time work at the wage at which one would choose to work full-time, rather than an inability to find such work per se. Levenson finds that for men, but not for women, the relative increase in involuntary part-time work among the less-skilled can be partly understood as a labor supply response, while

only a small amount of the relative increase in temporary employment among low-skill men can be explained as a labor supply response. This injects an important perspective into the debate about changes in the employment relationship broadly defined, namely whether some of the changes reflect market responses to relative wages or perhaps changes in workers' preferences or constraints, rather than changes in the nature of the employment relationship per se driven by corporate restructuring, management strategies, etc.

Farber looks at a different source of the flow of workers into temporary and involuntary part-time employment. He defines temporary employment more broadly to include on-call and contract work. Matching data from the DWS to the 1995 and 1997 Contingent and Alternative Employment Arrangements Supplements to the CPS, his key finding is that workers who lose jobs are more likely to be in temporary or involuntary part-time jobs than workers who have not lost their jobs. Farber goes on to characterize these jobs and the workers who fill them more fully. In particular, he finds that the relationships between job loss and temporary or involuntary part-time employment weaken with time, suggesting that these jobs are to some extent used as workers make transitions back to full-time, regular employment following a job loss. Indeed, his evidence suggests that those in temporary jobs, specifically, are of two types: job losers using them as transitions back to full-time, regular employment; and voluntary part-time workers, for whom these jobs may be preferred over other alternatives.

Although the nature of the evidence is different, the perspective it yields is in some ways similar to Levenson's. In particular, we should not necessarily view employment relationships such as involuntary part-time or temporary employment as "bad" jobs foisted on workers who would otherwise have full-time, regular jobs. Job loss is a persistent phenomenon, and the availability of transitional jobs may serve a useful function. Moreover, and more closely related

to Levenson's work, some types of flexible or non-permanent employment relationships may be preferred by workers. While the evidence Farber presents is cross-sectional, coupled with some other evidence suggesting that the rate of job loss has increased, it also potentially explains part of the growth in involuntary part-time employment and temporary employment. If the relationship between job loss and employment in these types of jobs has been stable over time, then higher rates of job loss would lead to higher incidence of these types of employment. However, this cannot be established with the data Farber has available; data on most forms of temporary employment, in particular, are available beginning only with the CPS contingent work supplements in 1995.

Houseman and Polivka study flexible employment arrangements broadly defined. They begin by presenting evidence from an Upjohn Institute employer survey regarding why employers report using flexible staffing arrangements. The authors focus on those reasons likely to have implications for job stability, in particular whether employers use these arrangements to screen workers for more permanent positions, and whether they actually move employees in flexible arrangements into regular positions. Houseman and Polivka conclude that employers sometimes use flexible arrangements for screening, most notably agency temporaries, but that other factors are generally more important in determining employers' reliance on these employment arrangements.<sup>9</sup>

The main part of their analysis exploits the CPS contingent work supplement, matching the 1995 supplement to other CPS files to obtain evidence on job turnover among workers in flexible and regular employment relationships. Their principal finding is that workers in these flexible employment relationships are less likely to remain in their jobs for an additional year (or an additional month) than workers in full-time employment. Among workers in such flexible

arrangements, this is especially true for agency temps, on-call workers, direct-hire temps, and contract workers. Houseman and Polivka are naturally concerned with the possibility that workers in these latter types of jobs are simply higher turnover workers, suggesting that it is not the nature of these jobs, per se, that reduces job stability. Although more complete panel or work history data might better resolve this issue, they argue—based on controls they can include (measures of very recent job loss, turnover, unemployment, and non-employment), as well as other evidence from longitudinal data for temporary services workers (Segal and Sullivan, 1997)—that there is a causal effect of employment in these types of arrangements on job stability.

On the assumption that their evidence points to such a causal effect, Houseman and Polivka also attempt to answer the question of whether growth of flexible staffing arrangements can explain part of the modest decline in job stability in the 1990's. Because of data limitations and the lack of evidence on the relationship between flexible employment arrangements and job stability in earlier years, this exercise must be viewed cautiously. But based on their estimates, the authors' calculations suggest that the growth in flexible employment arrangements from 1986 to 1996 may explain nearly a third of the modest decline in job stability over this period.

Finally, the paper by Cappelli seeks to shed light on the corporate downsizing phenomenon, which has been fingered by the media as a prime cause of the decline in job stability and job security in the 1990's, although its contribution to the overall trends is difficult to gauge. Cappelli seeks to accomplish two goals with his analysis of establishment-level data from the 1994 and 1997 National Employer Surveys. First, he is interested in understanding some of the characteristics of establishments and their workforces that are related to the incidence and magnitude of downsizings. Second, he examines the consequences of downsizing for productivity and labor costs per employee. To operationalize the concept of “downsizing,”

Cappelli defines such an event as an employment reduction that is not associated with excess capacity. Such employment reductions, it seems, are more likely to coincide with corporate reorganizations, management restructurings, etc., that correspond to the popular conception of a downsizing, as opposed to employment reductions associated with slack demand.<sup>10</sup> To the best of my knowledge this paper is the first establishment-level empirical analysis, based on representative data, of the determinants and consequences of downsizing in terms of workforce and establishment characteristics or outcomes. It is easy to criticize the data for a failure to capture unambiguous downsizings or specific events or factors that might have spurred them. Nonetheless, it presents some new evidence that helps inform our understanding of downsizing.

The paper reports that downsizings are associated with not only reductions in labor costs per worker, but also with declines in sales per worker (productivity). This suggests that overall performance is unlikely to be enhanced by downsizing.<sup>11</sup> The failure to find beneficial consequences of downsizing is consistent with existing research cited in the paper indicating that financial performance on average declines following a downsizing, although this research also indicates that downsizings accompanied by specific features—such as restructuring plans—may have more beneficial financial effects.<sup>12</sup> The apparent absence of beneficial performance effects implies that the motivations for the downsizings, which are believed to have generated at least some of the increased job loss in the 1990's, remain somewhat of a mystery. Of course a strong possibility is that the existing studies, including Cappelli's, fail to completely capture the right counterfactual via regression controls. That is, what may have happened to establishments or firms had they not downsized could have been far worse than what happened to other establishments or firms that are similar in terms of control variables available to researchers. In this case downsizings are driven by idiosyncratic factors that are unobserved by the researcher,

and regressions such as those reported by Cappelli and elsewhere in the literature could be biased against finding positive effects of downsizing. While Cappelli's use of the National Employer Surveys to study employment reductions in the absence of excess capacity ought to reduce any such bias, this is a difficult issue to resolve fully. More importantly, though, this paper ought to spur other researchers to attempt to better understand the decision to downsize and its consequences, and to figure out how to gauge the aggregate role of downsizing in generating changes in job stability and job security.

## V. Conclusions

This introduction is intended to provide a road map to the individual papers included in this volume. Although readers may draw somewhat different conclusions from the papers, I believe that they point to a relatively broad and in many cases consistent set of facts regarding changes in the employment relationship. Overall, my reading of the evidence is that the 1990's have witnessed some changes in the employment relationship consistent with weakened bonds between workers and firms. But the magnitudes of these changes—while sometimes suggesting sharp breaks with the recent past—nonetheless indicate that while these bonds may have weakened, they have not been broken. Furthermore, the changes that occurred in the 1990's have not persisted long enough even to earn the label “trends.” This makes it at least as plausible, based on what we know at this point, to conclude that these changes are the unique product of changes in the corporate world in the 1990's, rather than longer-term developments that will necessarily persist or accelerate in the near future. It is therefore premature to infer long-term trends towards declines in long-term employment relationships, and even more so to infer anything like the disappearance of long-term, secure jobs.

One shortfall in our knowledge, to which this volume has tried to make some initial

contributions, is the sources of changes in job stability and job security in the 1990's. The papers addressing this question point to some potential explanations, including relative wage movements, growth in alternative employment relationships, and downsizing. However, with the possible exception of the first of these, this list does not encompass “fundamental” or exogenous changes impacting the employment relationship, but rather to some extent suggests how various changes in the employment relationship may reinforce each other. To the extent that we could understand the structural changes underlying empirical observations on changes in job stability and job security, we would be in a better position to make inferences or predictions regarding future developments. In my view, this is one of the most fruitful frontiers for research on changes in the employment relationship.

While this chapter provides a road map to the contributions made in the papers in this volume, reading a map is not the same as taking the trip. It can convey the contours and present a few key facts, but only the voyage can convey the full richness of the landscape. In addition to gaining an appreciation of the rich and detailed analyses that each paper presents, I fully anticipate that researchers interested in exploring the employment relationship will find in the papers many interesting detours, side trips, and perhaps even a few unmarked highways that invite further exploration and ultimately a better understanding of this complex topic.

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Table 1: Summary of Findings, Studies Focusing Primarily on Job Stability

<u>Author(s)</u>	<u>Main data set(s)</u>	<u>Sample period</u>	<u>Coverage</u>	<u>Outcomes</u>	<u>Findings</u>
Jaeger and Stevens	PSID CPS Tenure and Employee Benefits Supplements	1976-1996 1973-1996	Heads of households, and spouses, ages 20-59, employed (not self-employed)	Share of workers with tenure < 18 months, share with tenure < 10 years	Increased share with < 18 months of tenure, but only over early years, not 1983-1996. Increased share with < 10 years of tenure beginning in late 1980's. Patterns consistent across most education and age groups, and races. No trend in share with < 10 years of tenure for women. PSID and CPS used on consistent basis yield similar answers. Other studies used PSID through 1988, in which share with low tenure peaked.
Neumark, Polsky, and Hansen	CPS Tenure and Contingent Work Supplements	1983, 1987, 1991, 1995, and 1996	Employed workers (non-agricultural, not self-employed)	Four-year and eight-year job retention rates	Four-year retention rates unchanged in early 1990's, eight-year retention rates fell. Both rates declined among higher-tenure and older workers, but these declines emerged only in 1990's. In 1990's, declines among higher-tenure workers occurred for white men and for blacks. Blacks also experienced decline in aggregate stability. Decline in job stability in 1990's sharp for more-tenured managerial/professional workers. Results robust to numerous adjustments to CPS.
Bernhardt, Morris, Hancock, and Scott	NLSYM NLSY	1966-1981 1979-1994	Ages 14-38 (14-22 in first waves, 30-38 in last waves), non-Hispanic whites, employed (not self-employed)	Two-year job separation rates, wage changes	Substantially higher separation rate among NLSY cohort than earlier NLSYM cohort. Finding arises across age, education, and tenure groups. Wage returns to job changing have declined and become more unequal for recent cohort.
Gottschalk and Moffitt	SIPP PSID	1983-1995 1981-1992	Male (married) heads of households in PSID, all males and females in SIPP, ages 20-62, employed	One-year and one-month job separation rates, involuntary job separations and other classifications of reason for separation, characteristics of separations, wage changes upon job changes	One-year separation rates did not increase in SIPP or in PSID with given sample restrictions, variable definitions, and sample period. Involuntary separations in PSID increased, but only from the 1970's to the 1980's; no increase post-1980. No trend increase in monthly separation rates in SIPP; secular decline from mid-1980's to early 1990's. Little evidence that job endings were more likely to be accompanied by spell of non-employment, but duration of non-employment increased for less-educated. No downward drift in wage gains associated with job changes.
Allen, Clark, and Schieber	Database of consulting clients (firms) of Watson Wyatt Worldwide	1990-1997	All workers	Change in average tenure, changes in percentages with 10+ or 20+ years of tenure, five-year retention rate	Average tenure rose over the 1990's, although not uniformly across firms. Percentages of workers with 10+ or 20+ years of tenure rose over the 1990's. Most of the lower retention rates associated with downsizing firms relative to growing firms borne by junior workers.

The table uses the following abbreviations: Panel Study of Income Dynamics (PSID); Current Population Survey (CPS); National Longitudinal Survey of Young Men (NLSYM); National Longitudinal Survey of Youth (NLSY); and Survey of Income and Program Participation (SIPP).

Table 3: Summary of Findings, Studies Focusing Primarily on Job Security

<u>Author(s)</u>	<u>Main data set(s)</u>	<u>Sample period</u>	<u>Coverage</u>	<u>Outcomes</u>	<u>Findings</u>
Valletta	PSID	1976-1992	Workers (not self-employed), ages 21-64	Dismissals (permanent layoffs and firings), quits, and general turnover	For men, although tenure is negatively associated with dismissal, significant upward time trend in probability of dismissal, stemming from upward trend for high-tenure workers. Negative effect of tenure on dismissals reduced in declining sectors (but no consistent trend towards greater probability of dismissal of high-tenure workers in declining sectors). Downward trend in probability of quit for low-tenure workers and upward trend for high-tenure workers. Similar results for skilled white-collar women.
Stewart	CPS (March)	1967-1997	Men and women ages 19+, 1-40 years of potential experience, worked (not self-employed) at least one week in previous year	Employment-to-unemployment transitions (worked in previous year and unemployed in March), as proxy for job loss	Rate of job loss was higher in the 1980's than in the 1970's, but did not increase in the 1990's. Also holds for men in all education groups, for less-educated women, and for all experience groups. For most groups, job loss during the 1990 recession was lower than during the more severe 1982 recession. But for some groups—usually more insulated from recessions—1990 recession was as severe, including college-educated men, men with 21 or more years of experience, and white-collar workers.
Schmidt	GSS	1977-1996	Men and women ages 18+, employed full-time or part-time in survey week	Perceived likelihood of job loss or layoff in next 12 months (fear of job loss), and interaction of this with perceived difficulty of finding job with about the same income and fringe benefits (fear of costly job loss)	Workers in 1990's were more pessimistic about involuntary job loss and costly job loss than in earlier periods. This is apparent in comparison of economic recovery years 1993-1996 to late 1980's, with similarly low unemployment, and in comparison of recession years 1990-1991 to 1982-1983. These perceptions are broadly consistent with patterns of actual job loss in DWS, overall and for many demographic subgroups.

The table uses the following abbreviations not already defined in the notes to Table 1: General Social Survey (GSS); and Displaced Workers Survey (DWS).

Table 5: Summary of Findings, Studies of Sources of Changes or Variation in the Employment Relationship

<u>Author(s)</u>	<u>Main data set(s)</u>	<u>Sample period</u>	<u>Coverage</u>	<u>Question studied</u>	<u>Findings</u>
Levenson	CPS (March)	1964-1996 (changes studied from 1971-73 to 1988-90)	Prime-age men and women, ages 25-59	Do increased rates of voluntary and involuntary part-time employment and temporary employment partly reflect labor supply responses to changes in wages?	Involuntary part-time employment has grown faster for low-skill men and women than for high-skill men and women, as have voluntary part-time employment and temporary employment among men. Relative increase in involuntary part-time employment for low-skill workers is partly a voluntary labor supply response to lower wages for men, but not women. A labor supply response can only explain a small amount of the increase in temporary employment among low-skill men and women. Thus, not all growth in these alternative employment arrangements should be interpreted as “forced” on workers who would otherwise (at the same wage) prefer full-time, permanent jobs.
Farber	Matched DWS and CPS Contingent Work Supplements	1994-1997	Individuals ages 20-64 in DWS files, employed at time of survey	Are job losers more likely to become employed under flexible staffing arrangements? Are these flexible arrangements “permanent,” or used as bridge jobs?	Job losers are more likely to be in temporary jobs and in involuntary part-time jobs than otherwise similar workers who have not lost their jobs. But these relationships weaken with time since job loss, suggesting that these alternative work arrangements are part of a transition to regular, full-time employment. Workers in temporary jobs appear to be of two types: job losers in transition to full-time jobs; and non-job-losers working voluntarily part-time, for whom temporary jobs may represent a desired arrangement.
Houseman and Polivka	CPS Contingent Work Supplements  Match between CPS Contingent Work Supplement and monthly CPS files	1995, 1997  1995-1996	All workers	Do workers in flexible staffing arrangements (temporary, on-call, contract, and part-time work) have less stable jobs? Can growth in flexible staffing arrangements account for changes in job stability?	Workers in most flexible staffing arrangements (especially agency temps, on-call workers, direct-hire temps, and contract workers) are less likely to remain in their jobs for one year than workers in full-time arrangements. Simulations based on applying these cross-section results to the growth in temporary help agency employment from 1986 to 1996 suggest that growth in flexible staffing arrangements could explain a substantial share (30 percent or more) of the modest increase in employer switching in this decade.
Cappelli	EQW National Employers Survey	1994, 1997	Sample of private establishments with more than 20 employees	What establishment-specific factors are associated with downsizing, and what are the consequences of downsizing?	Downsizing defined as cuts in employment by firms operating at or above capacity. Downsizing is related to both management practices and variables reflecting factor prices (such as unionization), but not always in the expected direction. Factors explaining downsizing are not much different from those explaining overall job losses, and overall job reductions are not driven mainly by demand shortfalls. Downsizing is associated with cuts in both sales per employee and labor costs per employee, possibly mitigating overall performance effects.

The table uses the following abbreviations not already defined in the notes to Tables 1-3: National Center on the Educational Quality of the Workforce (EQW).

Table 2: Attempts at Reconciling Evidence and Establishing Consistent Results on Job Stability

<u>Author(s)</u>	<u>Studies addressed</u>	<u>Findings</u>
Jaeger and Stevens	<p>PSID studies (Marcotte, 1996; Rose, 1995; Gottschalk and Moffitt, 1994) reporting reductions in one-year retention rates from the 1970's to the 1980's, and in the 1980's.</p> <p>Polsky (1999) PSID study reporting no increase in turnover through 1991.</p> <p>CPS studies (Diebold, Neumark, and Polsky, 1997; Farber, 1998a) finding little decrease in job stability from 1970's to 1980's.</p> <p>Neumark, Polsky, and Hansen (this volume) finding decreased job retention rates in 1990's using CPS data.</p> <p>Monks and Pizer (1998) and Bernhardt, et al. (this volume) finding increased job separation rate from 1966-1981 to 1979-1994 using NLSYM and NLSY cohorts.</p>	<p>Some of the increase in the 1980's is due to changes in survey questions regarding job and position changing, and failure to account for heaping. Some is due to sample periods ending in late 1980's, when probability of having tenure of one year or less peaked. Some is also due to restriction to younger workers.</p> <p>Consistent evidence.</p> <p>Upward trends in instability for some groups may be masked in the CPS because of question changes prior to 1983.</p> <p>Consistent evidence.</p> <p>PSID data also show increase in fraction of young men with low tenure from 1976 through 1988.</p>
Neumark, Polsky, and Hansen	<p>Cappelli, et al. (1997) reporting largely anecdotal evidence that 1990's witnessed organizational restructuring, including streamlined managerial structures.</p> <p>Farber (1997a) using CPS tenure supplements reporting declining proportions of male workers with 10 or more or 20 or more years of tenure, especially after 1993; Jaeger and Stevens (this volume) finding increase in fraction of male workers aged 30 or older with fewer than 10 years of tenure in the 1990's.</p>	<p>Consistent evidence from representative samples of declines in job stability for more-tenured managerial/professional workers in 1990's.</p> <p>Consistent evidence.</p>
Bernhardt, Morris, Hancock, and Scott	<p>Monks and Pizer (1998) reporting declines in two-year retention rates between the NLSYM and NLSY cohorts.</p>	<p>Confirmed, with if anything a larger rise in instability.</p>
Gottschalk and Moffitt	<p>Jaeger and Stevens (this volume) findings on separation rates using CPS and PSID as cross-sectional data sets.</p>	<p>Confirmed using PSID as longitudinal data set. Separation rates shift, but time-series pattern (no upward trend) persists.</p>

For definitions of abbreviations, see notes to other tables.

Table 4: Attempts at Reconciling Evidence and Establishing Consistent Results on Job Security

<u>Author(s)</u>	<u>Studies addressed</u>	<u>Findings</u>
Gottschalk and Moffitt	Boisjoly, et al. (1998) PSID results showing that involuntary terminations rose over the 1970's and 1980's.	Results driven by increases from 1970's to 1980's, but not increases in the 1980's.
Stewart	<p>Farber (1997b) DWS study concluding that rate of job loss increased from 1991-1993 to 1993-1995 period.</p> <p>Boisjoly, et al. (1998) PSID results showing that involuntary terminations rose over the 1970's and 1980's.</p> <p>Monks and Pizer (1998) reporting increase in rate of job loss between the NLSYM and NLSY cohorts.</p>	<p>Omitting the potentially troublesome category of job loss in the DWS for “other” reasons, job loss rate in March CPS data (employment-to-unemployment rate) falls from 1991-1993 to 1993-1995, while job loss rate in DWS data remains constant (despite economic recovery). Concludes that the job loss rate actually did decline, but that changes in questions in 1996 DWS (covering 1993-1995) resulted in more job leavers being classified as job losers than in earlier years.</p> <p>Job security declined over the early 1970's, but from mid-1970's through the mid-to-late 1990's, there has been little change.</p> <p>CPS data show increased job loss rates for those with at most a high school education, but (in contrast to Monks and Pizer) not for those with some college or college graduates. Suggests that contrast between the two data sets unlikely to be due to differences in survey between NLSYM and NLSY, since this would generate contrasting results across all schooling groups.</p>

For definitions of abbreviations, see notes to other tables.

## Notes

1. I do not review the previous literature except in cases where its findings are directly addressed in the present papers. For reviews of that literature see Schmidt and Svorny (1998), Marcotte (1995), and Diebold, et al. (1997). For broader reviews of workplace changes extending well beyond job stability and job security, see Cappelli, et al. (1997), Cappelli (1999), and Committee on Techniques for the Enhancement of Human Resources (1999). For a brief overview of a subset of the papers included in this volume, see Valletta (1999).
2. This emphasizes a more general issue in this research, namely that we do not have sufficient data to observe changes over time in full distributions of completed tenure spells for jobs beginning at different points of time. Rather, we have to choose particular metrics that potentially obscure some of the details regarding changes in these distributions.
3. Jaeger and Stevens present results that address the issue of changing participation in another way, by comparing employment-based and population-based measures.
4. In research released after the earlier versions of this paper, but apparently done concurrently, Bansak and Raphael (1998) and Fitzgerald (1999) reach the similar conclusion that the SIPP data do not provide evidence of a decline in job stability.
5. To the best of my knowledge, this distinction was introduced into the recent debate by Valletta (1996).
6. This hypothesis was suggested in Neumark and Polsky (1998). See Kletzer (1994) for a review of evidence on the changing incidence of displacement for white-collar workers in the early 1990's.
7. Greenspan stated in testimony before the U.S. House Committee on Banking, Housing, and Urban Affairs, on February 26, 1997 that "atypical restraint on compensation increases has been evident for a few years now and appears to be mainly the consequence of greater worker insecurity." See also Aaronson and Sullivan (1998).
8. For another recent attempt to study workers perceptions of job security and likely outcomes in the event of job loss (using the Survey of Economic Expectations, or SEE), see Manski and Straub (1999). This paper takes some steps in the direction of deriving theoretical predictions for patterns of these perceptions/expectations in the data.
9. They also report some suggestive evidence, based on CPS data discussed below, that workers are sometimes moved from "regular permanent positions" into flexible arrangements.
10. This definition contrasts with much existing work equating downsizing with employment reductions, including Allen, et al. (this volume), Farber and Hallock (1999), and the annual survey of the American Management Association's "AMA Survey on Downsizing, Job Elimination and Job Creation."

11. This parallels findings in Cappelli and Neumark (1999) that introduction of innovative work practices appears to move labor costs per worker and productivity in the same direction– positive in this case.

12. In a recent study of this issue, Farber and Hallock (1999) report that the magnitude of negative effects of reductions in force on stock prices has declined over time, suggesting that more recent reductions in force have focused on improvements in efficiency (downsizing?) rather than reductions in product demand.