

## THE HOURGLASS ECONOMY: THE REALITY BEHIND THE METAPHOR

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### ABSTRACT

The US employment structure became strikingly and increasingly polarized at the turn of the 21<sup>st</sup> century. This study of job growth using *Current Population Survey* data suggests that the US is transitioning to an hourglass economy and demonstrates the economic realities that underlie the metaphor. Since the early 1990s, the jobs that have grown the most have been in either the top or bottom 20% of job median wages. The 1990s boom saw asymmetric polarization, with more growth at the top than the bottom. In the anemic expansion after 2002, the polarization was more symmetrical, with relatively equal rates of job growth at the top and bottom. In both periods, much less growth occurred in jobs in the middle. This pattern of job polarization contrasts sharply with the far more equal pattern of growth in earlier expansions.

Polarized job growth is linked to economic restructuring, but it is also significantly stratified by race/ethnicity, nativity, and region. The growth at the top and bottom was driven by service sector jobs, with business and medical service jobs more likely at the top and retail trade and personal service growing at the bottom. High technology jobs also grew substantially at the top, especially in the 1990s. The trough in the middle, in contrast, was driven by manufacturing sector decline. Deindustrialization has been particularly severe since the turn of the century. These economic shifts were not equally shared across demographic groups, however, with most growth for US-born white workers in the best jobs, while growth for US-born black workers and both US-born and immigrant Hispanics was concentrated in the worst jobs. The pattern of job growth was also uneven across regions of the country, especially since 2000. Some regions enjoyed more growth at the top of the hourglass, while others appear to have been consigned to the bottom, and the Northeast and Midwest suffered particularly severe decline in the middle.

The entrenchment of polarized job growth raises serious questions about the future of employment and the fate of the American middle class. While economic restructuring has been key to the emergence of an hourglass economy, this transition may be related as much to the declining power of workers—deindustrialization entails deunionization as well—as to structural changes in demand for skilled workers. Social policy aimed at slowing rising inequality must take into account the broader political economic context, not only nominally economic shifts. Promising initiatives include attempts to develop job “ladders” from the lowest-wage to better paid positions, and efforts to improve conditions at the bottom of the employment structure. For too long the gains of economic growth have been concentrated at the top of the hourglass, while hard-working Americans squeezed to the bottom have seen little improvement in living standards and declining prospects for mobility.