

ECONOMIC COMMENTARY

Federal Reserve Bank of Cleveland

Is This Really a "White-Collar Recession"?

by Randall W. Eberts and Erica L. Groshen

Until the National Bureau of Economic Research (the official arbiter of business cycles) decrees it, we cannot be certain that history will record the current economic downturn as a recession. Nonetheless, many economic analysts and media representatives have chosen not to wait for the official pronouncement, proclaiming not only that the U.S. economy is in the midst of a recession, but that this downturn is different from previous ones because it has hit white-collar workers disproportionately hard.¹ While both issues provide interesting material for debate, this article investigates only whether we are indeed experiencing a *white-collar* downturn.

The emphasis on the plight of white-collar workers may be traced to the regional and industrial origins of the current downturn. Initial signs of a slump were centered in the Northeast, and primarily in that region's financial service and real estate industries. Understandably, early media coverage focused on layoffs in these predominately white-collar industries. Now that the slowdown has deepened and spread to other regions and sectors, it is appropriate to examine the assumption that white-collar workers have been the primary target of current employment cutbacks.

The term "white-collar recession" is not precisely defined. Media accounts of the current downturn often refer to salaried employees and convey the image of long unemployment lines now filled with white-collar workers where blue-collar

workers once stood. Reports of wage cuts and suspension of bonuses and profit sharing in the white-collar ranks have also been noted. Certainly, no single dimension of the employment situation can totally capture the relative fates of white- and blue-collar workers during this downturn. We concentrate on employment/unemployment data, however, because they are closely linked to workers' well-being and are the most current information available.

We find at least six ways to ask whether this is truly a white-collar downturn. For instance, what is the relative share of white- and blue-collar workers in the pool of unemployed; what is their share of the recently unemployed; and do white-collar workers have a higher unemployment rate than blue-collar workers?² With only one exception, the answers to these and three additional questions soundly reject the notion that, in general, white-collar employees are suffering disproportionately.

■ **White-Collar vs. Blue-Collar Jobs**
Who are white-collar workers? The Department of Labor has defined six broad categories of occupations: 1) managerial and professional specialties, 2) technical, sales, and administrative occupations, 3) service occupations, 4) precision production, craft, and repair workers, 5) operators, fabricators, and laborers, and 6) farming, forestry, and fishing occupations.

There has been some suggestion in economic circles and the news media that the current downturn has hit white-collar workers disproportionately hard. This article examines the issue from several perspectives and finds overwhelming evidence to the contrary. However, as the blue-collar share of the work force continues to dwindle, employers faced with declining sales may increasingly view their white-collar staff as "fair game."

Of these six, all but service occupations can be easily classified as white collar or blue collar. The first two categories are clearly white-collar occupations, and the last three categories are obviously blue-collar jobs. But service occupations (which include workers in private households and in the protection, health, food, and personal service industries) do not fit easily into either group. Like blue-collar jobs, service jobs are usually paid hourly, may be somewhat physical in nature, and require only moderate to low levels of general education. However, like white-collar employees, service workers generally produce intangible, nonstorable products. Thus, to answer some of the questions posed below, we consider the service occupations separately.

■ Six Different Perspectives

Are the currently unemployed workers mostly white collar? The answer is no. As of February 1991, former white-collar employees accounted for 32.7 percent of the 8.16 million unemployed, compared to 44.3 percent from the three blue-collar groups and 23.1 percent from the service occupations (table 1). Only by rephrasing the question to ask whether the unemployed consist mostly of non-blue-collar workers does it appear that white-collar workers are worse off, since 55.8 percent of the unemployed come from the non-blue-collar ranks.

Are white-collar workers responsible for most of the increase in unemployment? Here again the answer is no. As shown in figure 1, the number of unemployed workers has risen much faster for the blue-collar occupations since late 1990, despite the overall growth in white-collar employment. In contrast, service occupation unemployment appears to be unaffected by the downturn. White-collar jobs accounted for only 30.3 percent of the additional 1.58 million workers who became unemployed between February 1990 and February 1991, while blue-collar jobs were responsible for 65.7 percent of this increase.

Although data limitations prevent a comparison of the current downturn with previous ones at the national level, information on job seekers registered with Ohio's Bureau of Employment Services offers a limited historical perspective.³ The proportion of white-collar job seekers in the state rose steadily between January 1975 and November 1990, reflecting the growth in white-collar employment; however, there has been no obvious increase during the current downturn. Meanwhile, the blue-collar share of Ohio's job seekers has grown noticeably since early 1989, increasing from 50 percent to 60 percent.

Do white-collar workers have a higher probability of being unemployed than blue-collar workers? Definitely not. As of February 1991, unemployment rates for both of the white-collar occupational groups were much lower than those for the blue-collar groups. Of the six cat-

FIGURE 1 UNEMPLOYED WORKERS, 1983-1991

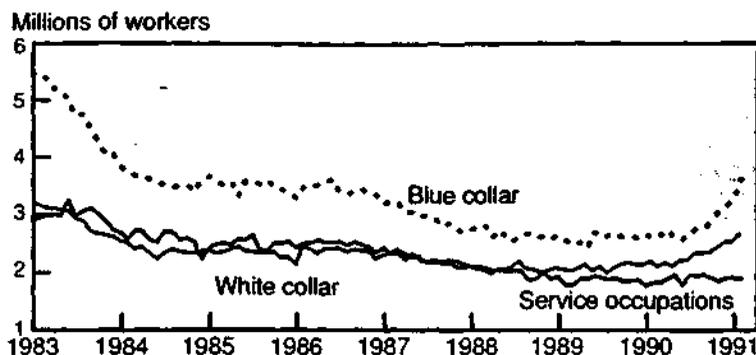
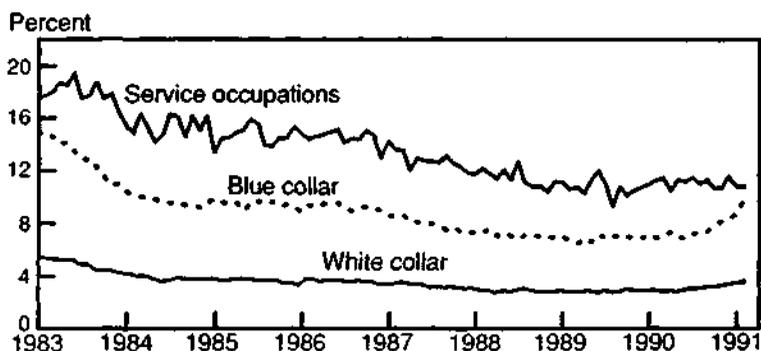


FIGURE 2 UNEMPLOYMENT RATE, 1983-1991



NOTE: All data are seasonally adjusted.

SOURCE: U.S. Department of Labor, Bureau of Labor Statistics.

egories, operators, fabricators, and laborers (who comprise the largest share of the three blue-collar groups) registered the highest unemployment rate: 11.6 percent. The technical, sales, and administrative occupations, while exhibiting the higher unemployment rate of the two white-collar categories (5.0 percent), were still 1½ percentage points below the national average. Managerial and professional specialties were half again as low. The service occupations, if classified as white collar, provide the only exception to this pattern. Unemployment rates for workers in this category exceeded 10 percent.

Has the probability of unemployment grown more for white-collar occupations than for blue-collar occupations? Again, the answer is no. Between February 1990 and February 1991, unemployment rates rose most for blue-collar workers, both in absolute and relative terms (table 1 and figure 2). The increases in unemployment rates for the two largest blue-collar occupational

groups were twice as high as those for the two white-collar categories. Interestingly, the service occupations have shown virtually no increase in unemployment rates over the downturn.

Has the net loss of jobs been concentrated in white-collar employment? Although both white- and blue-collar occupations experienced job losses over the past year, blue-collar drop-offs started much earlier (in late 1989 versus mid-1990) and have been declining much more steeply (at a current rate of 3.7 percent, versus 0.5 percent). Even though total employment fell by 1.17 million workers, or 1.0 percent, between February 1990 and February 1991 (table 2), three of the six occupational groups experienced employment growth: managerial and professional specialties; service occupations; and farming, forestry, and fishing occupations. Therefore, the answer to this question depends on how it is posed. If one wanted to argue that we are indeed in a white-collar recession, one could highlight the fact that the tech-

TABLE 1 UNEMPLOYMENT DISTRIBUTION AND CHANGE BY BROAD OCCUPATIONAL CATEGORY
Percent

Occupational category	Share of:		Unemployment rates	
	Unemployment (Feb. 1991)	Unemployment change (Feb. 1990-Feb. 1991)	(Feb. 1990)	(Feb. 1991)
Managerial and professional specialties	9.5	11.0	1.9	2.4
Technical, sales, and administrative occupations	23.2	19.3	4.1	5.0
Service occupations	23.1	4.1	10.5	10.6
Precision production, craft, and repair workers	13.4	20.0	5.3	7.6
Operators, fabricators, and laborers	27.2	40.7	8.1	11.6
Farming, forestry, and fishing occupations	3.7	4.9	6.2	7.9
Total	100.0	100.0	5.3	6.5
Total number of workers (millions)	8.16	+1.58		

NOTE: All figures are seasonally adjusted. Figures for the service occupations are not reported by the Bureau of Labor Statistics (BLS) because they do not meet BLS publication standards. The service occupation numbers reported here are calculated from totals and subtotals provided by the BLS and thus should be interpreted with caution.

TABLE 2 EMPLOYMENT DISTRIBUTION AND CHANGE BY BROAD OCCUPATIONAL CATEGORY
Percent

Occupational category	Share of:		Change in employment (Feb. 1990-Feb. 1991)	Mean annual growth rate (Feb. 1983-Feb. 1990)
	Employment (Feb. 1991)	Employment change (Feb. 1990-Feb. 1991)		
Managerial and professional specialties	26.6	-43.4	1.7	3.9
Technical, sales, and administrative occupations	30.9	81.8	-2.5	2.8
Service occupations	13.5	-33.8	2.5	1.8
Precision production, craft, and repair workers	11.4	33.6	-2.8	2.0
Operators, fabricators, and laborers	14.5	77.8	-5.1	2.0
Farming, forestry, and fishing occupations	3.0	-15.9	5.5	-1.4
Total	100.0	100.0	-1.0	2.6
Total number of workers (millions)	116.92	-1.17		

NOTE: All figures are seasonally adjusted.

SOURCE: U.S. Department of Labor, Bureau of Labor Statistics.

nical, sales, and administrative occupations accounted for almost 81.8 percent of the jobs lost in the past year. On the other hand, if one wanted to make the case that this is a blue-collar recession, then the fact that 95.5 percent of the net job loss occurred in the three blue-collar groups could be noted. The fairest assessment of this question is that the evidence is mixed within the white-collar sector.

Did the growth rate of jobs slow most in the white-collar occupations? The third and fourth columns of table 2 show that net employment changes over the past year for four of the six occupational groups were below their averages over the previous seven years. Since February 1990, however, employment in managerial and professional specialties continued to grow, albeit more slowly than before. Employment growth in technical, sales, and administrative occupa-

tions suffered the most striking turnaround, switching from growing faster than average to shrinking faster than average. More-detailed data show that the losses were concentrated in sales and in administrative support positions. Employment of technical workers, who comprise only 10 percent of the group, actually rose 1.3 percent in 1990 (although at half the rate attained over the last seven years). By comparison, the two major blue-collar groups grew more slowly than the other four occupational categories, losing more jobs than average in 1990.

■ **Are There Grounds for Expecting a White-Collar Downturn?** Although this analysis makes it clear that we are not in a white-collar downturn, the general impression that this contraction and future ones may be harder on white-collar workers is not without some basis. The first reason for expecting recessions

to affect white-collar workers more is simply the dramatic increase in white-collar jobs over the last few decades. Since 1983, the number of workers in white-collar occupations increased 24.5 percent, while the number of blue-collar workers rose only 8.5 percent. Nevertheless, enough blue-collar jobs remain so that, with their higher unemployment rates, blue-collar occupations still make up the largest group of unemployed workers.

The second line of reasoning is that employers may be forced to concentrate on white-collar employees in their cost-cutting efforts, since these workers account for an increasing share of personnel costs. While this may be true, our findings suggest that blue-collar workers are still more likely to be laid off when companies face declining sales. This result may reflect the nature of white-collar jobs and their compensation.

Unlike their blue-collar counterparts, whose employment is tied closely to current production levels, white-collar workers may be needed even more during downturns in order to rebuild the customer base or to correct technical problems. Methods of compensation also matter, because layoffs may be averted if employers can reduce hours or cut pay. Because white-collar workers may have a more flexible wage structure (due to the bonus or profit sharing component of their pay), changes in their compensation may help to preserve their jobs during downturns.⁴

Another reason why this downturn could have affected white-collar workers disproportionately is troubles in those industries that employ a large percentage of technicians, managers, and professionals. During the last few years, the financial, computer, and defense industries have been particularly hard hit. However, as the downturn has progressed, it has encompassed the two sectors usually affected most severely by recessions: construction and durable goods. These are industries in which blue-collar jobs are highly concentrated.

Finally, others have stated that white-collar workers have been losing jobs as part of a long-overdue housecleaning, initiated to some extent by the spate of

mergers and acquisitions in the late 1980s. An unusually high number of these workers are no longer needed because of shrinking numbers of blue-collar workers to supervise, technological changes, or internal reorganization. Because of inertia, the thinking goes, needed streamlining takes place only during downturns. Whether or not this is true, it does not seem to be any more true of white-collar workers than of blue-collar workers.

■ Conclusion

Perhaps what has made the possibility of a white-collar recession so newsworthy is the long-standing notion that white-collar workers are generally safe from recessions. The evidence presented here supports this adage for the current downturn. However, as the percentage of blue-collar workers continues to shrink, businesses will be increasingly forced to take a hard look at their white-collar staff when seeking to trim costs, thus putting white-collar wages, hours, and jobs in greater jeopardy in future downturns.

■ Footnotes

1. See, for example, Michael J. Mandel, "This Time, the Downturn is Dressed in Pinstripes," *Business Week*, October 1, 1990, pp. 130-31.

2. An alternative approach would be to compare the impact of this downturn to the impact of previous recessions on white- and blue-collar workers. In this article, we ask the more straightforward, objective question — Is the current downturn a white-collar slowdown? — rather than the more complex question — Is the presumed recession *more* white collar than previous ones?

3. The Bureau of Labor Statistics redefined a number of occupational categories in 1982, making it difficult to compare blue- and white-collar workers before and after the revision date.

4. See Douglas Kruse, "Profit-Sharing in the 1980s: Disguised Wages or a Fundamentally Different Form of Compensation?" in Randall W. Eberts and Erica L. Groshen, eds., *Structural Changes in U.S. Labor Markets in the 1980s: Causes and Consequences*. Armonk, New York: M.E. Sharpe, Inc. (forthcoming). For a current example of the reduction in bonuses, see Michael Siconolfi, "Paycheck Blues: Street's Bonuses Slashed by 40%," *The Wall Street Journal*, March 6, 1991.

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