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Job Satisfaction

2015 EDITION

A LOT MORE JOBS

A LITTLE MORE SATISFACTION

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2015 EDITION

A LOT MORE JOBS—A LITTLE MORE SATISFACTION

R-1551-14-RR

by Ben Cheng, Michelle Kan, Gad Levanon, PhD, and Rebecca L. Ray, PhD

Contents

Executive Summary

While US workers' job satisfaction levels have been rising in recent years, they still have a long way to go to reach the relatively high satisfaction levels of the late 1980s.

According to the current edition of The Conference Board Job Satisfaction survey, 48.3 percent of US workers are satisfied with their jobs—an increase of 0.6 percentage points from the previous year. However, the recovery presents a mixed picture. Workers across the demographic spectrum continue to differ in their degree of satisfaction. Much of the improvement has been rooted in increased job security and greater satisfaction in other career development areas. But despite signs that wages are beginning to increase in some sectors of the economy, lackluster compensation continues to disappoint most US workers, as do other economic components of job satisfaction, such as promotion policy and bonus plan.

In recent years, the ongoing recovery of the job market appears to have played a major role in elevating job satisfaction. In particular, our survey results suggest a strong relationship between workers' perceptions of job availability and their level of job satisfaction. The competition among employers to find the talent they need has become more fierce as the labor market improves from the employee's view. This shift to a "seller's market" for talent has intensified wage pressures, instilled a greater sense of job security among workers, and provided workers with more and better job opportunities. In fact, employees' greater confidence in job prospects and the improving labor market may be leading them to consider other job options or employers. In 2014, 78.5 percent of workers intended to stay in their current job in the next 12 months, a decrease from 2013, when 81.9 percent intended to stay (Chart 2).

Methodology

The Conference Board Job Satisfaction survey is a barometer of satisfaction from the perspective of US workers. Survey results are based on workers' perceptions of their current role and their workplace environment. The Job Satisfaction survey questions are asked as part of the ***Consumer Confidence Survey®.***

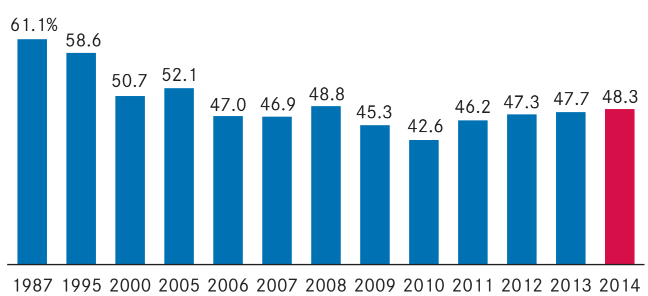
TNS initially conducted the mail survey of a nationwide representative sample of 5,000 US households for The Conference Board. The Conference Board entered into a partnership with The Nielsen Company for ongoing operational support for the Consumer Confidence Survey in February 2011.

The Nielsen Company uses a mail survey that features a probability-design random sample, poststratification weights (for gender, income, geography, and age), and the US Census X-12 seasonal adjustment. The Consumer Confidence Survey concepts, questions, and mail survey collection method remain unchanged through the transition from TNS to The Nielsen Company.

The job satisfaction questions have remained unchanged, and responses are based on a 5-point scale ranging from "least satisfied" to "most satisfied." Only respondents who are currently employed answered the questions about job satisfaction. Respondents who rate their satisfaction as 4 or 5 are defined as "satisfied" employees.

Chart 1

Overall satisfaction

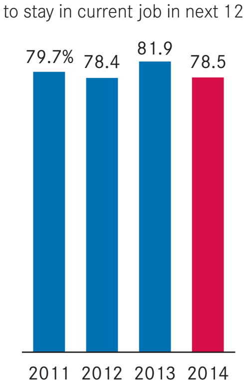


Source: The Conference Board, 2015

Chart 2

A year from now, do you still expect to be in your current job?

Intend to stay in current job in next 12 months



Source: The Conference Board, 2015

Key Findings

SURVEY RESULTS

- As of 2014, overall job satisfaction in the United States stands at 48.3 percent—the fourth consecutive year of improvement. Still, less than half of all US workers are satisfied with their jobs, which is far removed from the 61.1 percent who were satisfied in 1987, the year the survey was first administered.
- Employees aged 35 to 44 are the most satisfied with their jobs compared to other age groups, while those under 25 are by far the least satisfied. The recession hit young workers hard as unemployment rates skyrocketed, and it set them apart from other workers. They struggled to find work that, once found, was perhaps not particularly satisfying.
- The most satisfied workers are making over $125,000, with a job satisfaction score of 61.6 percent. The least satisfied workers are those earning $15,000 to $25,000, with 36.3 percent satisfied.

Job Satisfaction and Employee Engagement

RELATED BUT DIFFERENT

The following working definitions created by The Conference Board are used to frame the data analysis and research approach used in this report.

Job satisfaction measures the extent to which employees are satisfied or content with their overall job and its components, such as work environment and benefits. Job satisfaction is an important indicator of the attitudes and opinions of the workforce, but it does not explore the full range of emotional and behavioral ways employees interact with their workplaces.[a]

Employee engagement is a heightened emotional and intellectual connection that employees have for their job, organization, manager, or coworkers that, in turn, influences them to apply additional discretionary effort to their work.[b] Job satisfaction is a driver or catalyst for employee engagement.

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a Lynn Franco, John Gibbons, and Linda Barrington, *I Can't Get No... Job Satisfaction, That Is: America's Unhappy Workers*, The Conference Board, Research Report 1459, 2009, p. 5. (www.conference-board.org/publications/publicationdetail.cfm?publicationid=1727).

b John Gibbons, *Employee Engagement: A Review of Current Research and Its Implications*, The Conference Board, Research Report 0010, 2006, p. 5. (www.conference-board.org/publications/publicationdetail.cfm?publicationid=1238).

- Employees in New England (Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, and Vermont) are the least satisfied, while those in the West South Central (Arkansas, Louisiana, Oklahoma, and Texas) are the most satisfied.
- Employees' dissatisfaction with their organizations' promotion policy, combined with their lackluster rating of the performance review process and their potential for future growth (all three are ranked among the bottom six this year), strongly indicates that organizations need to improve these related aspects of employee development.

LOOKING AHEAD

- Improvements in the labor market account for a large part of the recovery in job satisfaction observed since 2011. In turn, it has become increasingly difficult for employers to hire qualified workers.
- The increase in job availability associated with an improving labor market can affect job satisfaction in several ways:
  - More job opportunities allow for greater labor mobility, enabling workers to find opportunities better suited for them.
  - Employers fighting to find and retain talent will take more actions necessary to keep their workers satisfied, which instills a greater sense of security for existing workers.
  - The economy continues to place upward pressure on wages.
- Job availability is especially important for older workers—it is often difficult for them to transition to new positions late in their career, so a tightening labor market in which they feel more secure is especially important for their overall job satisfaction.
- Continued improvements in the labor market will lead to a new war for talent that is likely to improve various elements of job satisfaction as employers compete.

The 2014 Survey Findings

Job satisfaction is slowly on the rise,
but let's not celebrate too quickly

Age

Relative job satisfaction rates remain similar to last year across all age groups.[1] Workers under age 25 remain the least satisfied with their jobs (34.1 percent), and workers aged 65 and over are still the most satisfied (50.7 percent) (Chart 3). Still, in today's work climate, "most satisfied" is not a noteworthy distinction: workers aged 35 to 44 (50.3 percent) and 25 to 34 (49.6 percent) expressed nearly the same levels of satisfaction. In contrast, workers 65 and over in 1987 were the clear front-runners, with a relatively high job satisfaction score of 70.8 percent. In fact, as with the youngest employees in the workforce, there is a substantial gap between the current job satisfaction of workers aged 65 and older and their satisfaction historically, with a 20.1 percentage point difference.

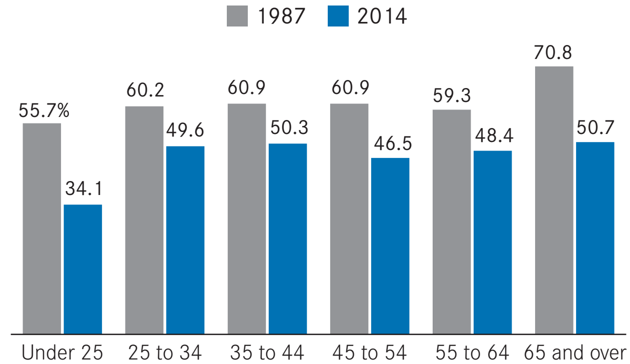
The prerecession and postrecession levels show how the recession affected job satisfaction for workers across all age ranges (Chart 4).[2] Workers under age 25 had the lowest prerecession job satisfaction (44.3 percent) and continue to have the lowest scores in the postrecession years (36.9 percent). Employees in this age group also have the largest gap between precession and postrecession levels, with a 7.4 percentage point difference. For employees in the 25-to-54 age range and 65 and above, the difference between prerecession and postrecession levels is slight, ranging from 0.1 to 2.0 percentage points. The postrecession satisfaction levels for workers aged 25 to 34 have surpassed prerecession levels, making them the only age group to have accomplished this. On the categorical cusp of the traditional retirement age of 65, employees in the 55-to-64 age range have the second-largest disparity between prerecession and postrecession job satisfaction, with a 5.2 percentage point difference.

YOUNGER WORKERS STILL SUFFERING FROM A RECESSION HANGOVER

Comparing the prerecession and postrecession job satisfaction scores for workers in different career and life stages suggests potentially interesting explanations. The recession seems to have had a substantive effect on the job satisfaction of employees under 25 and those in the 55-to-64 age range. Before the recession, young workers were hardly the most satisfied bunch, but they were at least somewhat on par with employees in other age groups.

Chart 3

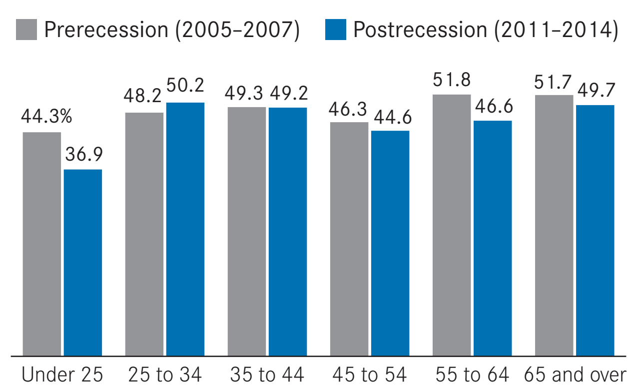
Age historical



Source: The Conference Board, 2015

Chart 4

Age prerecession vs. postrecession



Source: The Conference Board, 2015

1 For 2013 job satisfaction data, please refer to last year's published report: Ben Cheng, Michelle Kan, Gad Levanon, and Rebecca L. Ray, *Job Satisfaction: 2014 Edition*, The Conference Board, Research Report 1551, 2014.

2 Throughout the report, prerecession figures are calculated by averaging 2005, 2006, and 2007 figures; postrecession figures are calculated by averaging 2011, 2012, 2013, and 2014 figures.

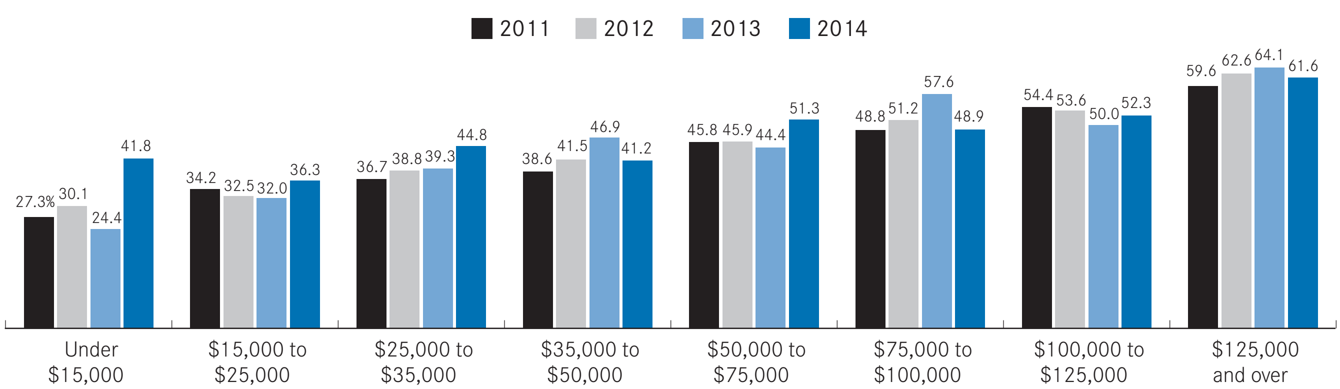
However, the recession hit them hard as unemployment rates skyrocketed and set them apart from other workers.[3] Young workers struggled to find work, and perhaps those who succeeded found jobs that weren't particularly satisfying. The lasting impact of unemployment and the recession, which includes long-term negative effects on future earnings, productivity, and employment opportunities, continues to affect young workers and their job satisfaction in the postrecession years. For workers aged 55 to 64, who are approaching the traditional retirement age of 65, career uncertainty may be adversely affecting job satisfaction. The recession created financial burdens that caused many workers to delay their retirement. As more baby boomers delay retirement or transition to other postretirement careers, those in the 55-to-64 age range are faced with making career decisions that would have been unnecessary or uncommon in the past.

Income

The most satisfied workers this year are those making over $125,000, with 61.6 percent of workers satisfied with their jobs. (Chart 5) However, workers in the lowest income category, with earnings below $15,000, do not have the lowest job satisfaction (41.8 percent). In fact, their satisfaction exceeds that of the least satisfied workers, who are those earning $15,000 to $25,000 (36.3 percent), and the second-least satisfied workers, earning $35,000 to $50,000 (41.2 percent). Other data from this year's survey contradict the general assumption that more pay equals more satisfied workers: workers making $50,000 to $75,000 (51.3 percent) are more satisfied than those earning $75,000 to $100,000 (48.9 percent). Similarly, workers earning $25,000 to $35,000 are more satisfied (44.8 percent) than those earning $35,000 to $50,000 (41.2 percent).

Chart 5

Income postrecession*



* Average incomes increased significantly between 1987 and 2014, which has made job satisfaction for income groups less comparable over time than for other types of groups in this report.

Source: The Conference Board, 2015

3 Elizabeth Crofoot, Klaas de Vries, Eric Hayek, and Michael Paterra, *International Comparisons of Annual Labor Force Statistics*, The Conference Board, Research Report 1559, 2014, pp. 9-13.

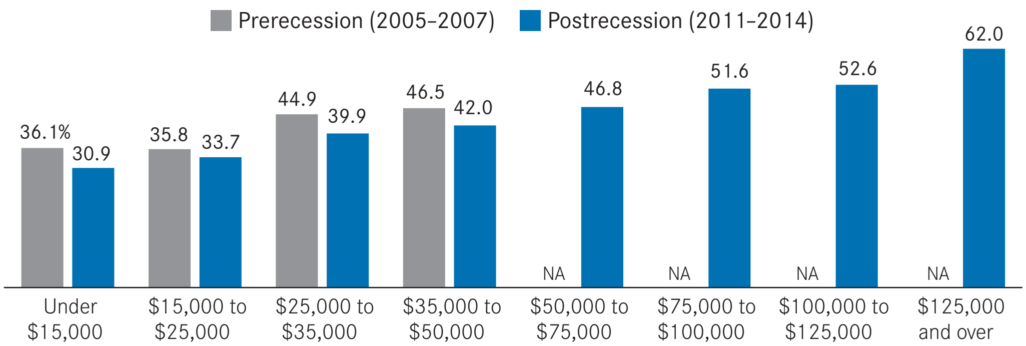
Compared to the previous year, job satisfaction has increased for most of the income groups. Those making $15,000 to $35,000, $50,000 to $75,000, and $100,000 to $125,000 had a single-digit percentage point increase from 2013. Employees earning below $15,000 experienced the most gains in job satisfaction, with a 17.4 percentage point increase.

Workers earning $35,000 to $50,000, $75,000 to $100,000, and $125,000 and over had a single-digit percentage point decrease in job satisfaction; those earning in the $75,000 to $100,000 range had the largest decrease in satisfaction, dropping 8.7 percentage points.

Despite some counterintuitive findings for this year, in the aggregate, the postrecession data show that, as expected, the higher the income, the higher the levels of job satisfaction (Chart 6). In the postrecession period, workers earning $125,000 are the most satisfied with their jobs (62.0 percent), and workers earning below $15,000 are the least satisfied (30.9 percent). Where prerecession data are available for comparison for employees making under $15,000 to $50,000, postrecession job satisfaction levels are still trailing behind.

Chart 6

Income prerecession vs. postrecession



Note: NA indicates collected data for the prerecession 2005–2007 time frame was not grouped into these income categories. Data for the higher income were previously grouped into “$50,000 and over.”

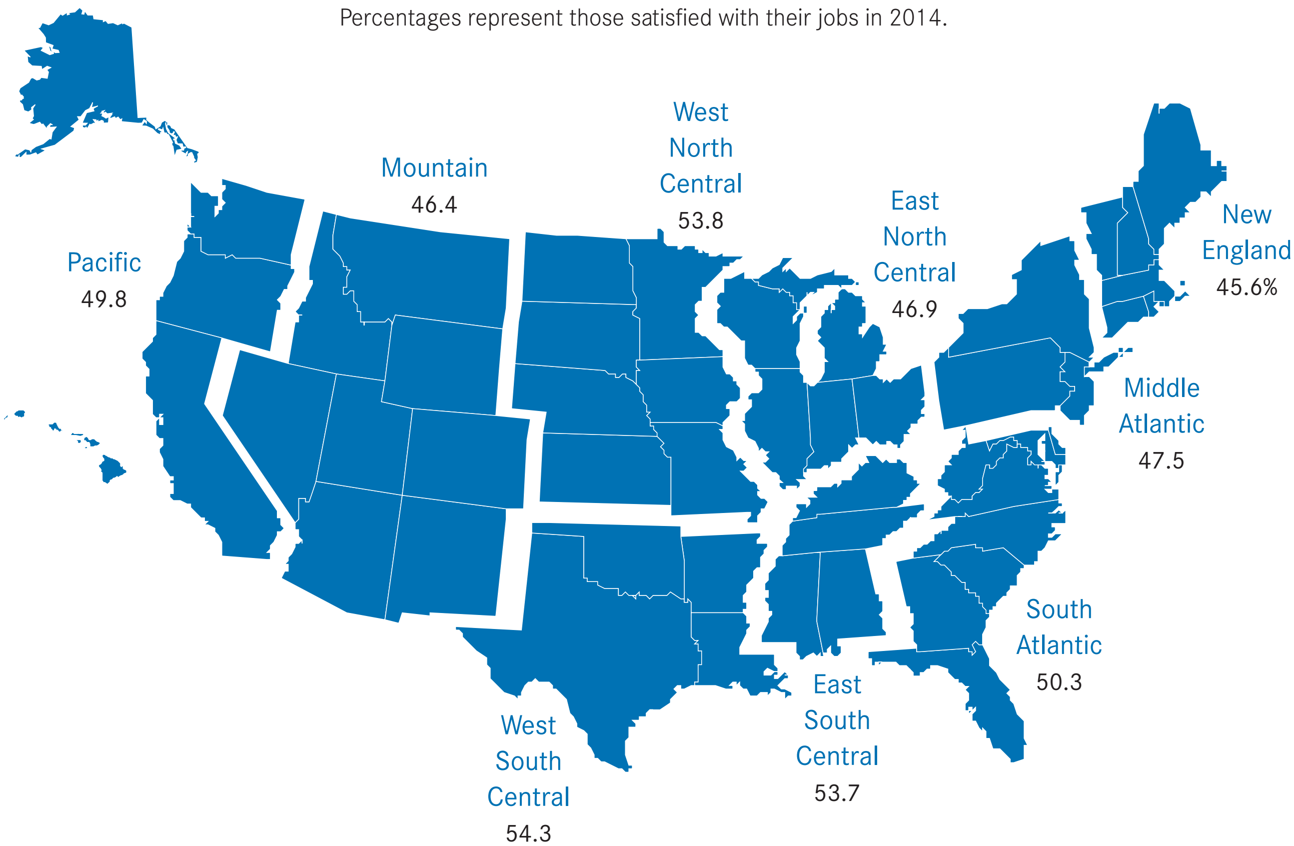
Source: The Conference Board, 2015

Regions

Unsurprisingly, workers' job satisfaction is affected by which region of the country they work in. In 2014, employees in New England (Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, and Vermont) were the least satisfied (45.6 percent), compared to those in the West South Central (Arkansas, Louisiana, Oklahoma, and Texas), who were the most satisfied (54.3 percent). The second most satisfied workers were in the neighboring West North Central states (Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, and South Dakota), with satisfaction levels of 53.8 percent.

Overall Job Satisfaction by Census Region

Percentages represent those satisfied with their jobs in 2014.



New England Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont

Middle Atlantic New Jersey, New York, Pennsylvania

South Atlantic Delaware, District of Columbia, Florida, Georgia, Maryland, North Carolina, South Carolina, Virginia, West Virginia

East North Central Ilinois, Indiana, Michigan, Ohio, Wisconsin

East South Central Alabama, Kentucky, Mississippi, Tennessee

West North Central Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, South Dakota

West South Central Arkansas, Louisiana, Oklahoma, Texas

Mountain Arizona, Colorado, Idaho, Montana, Nevada, New Mexico, Utah, Wyoming

Pacific Alaska, California, Hawaii, Oregon, Washington

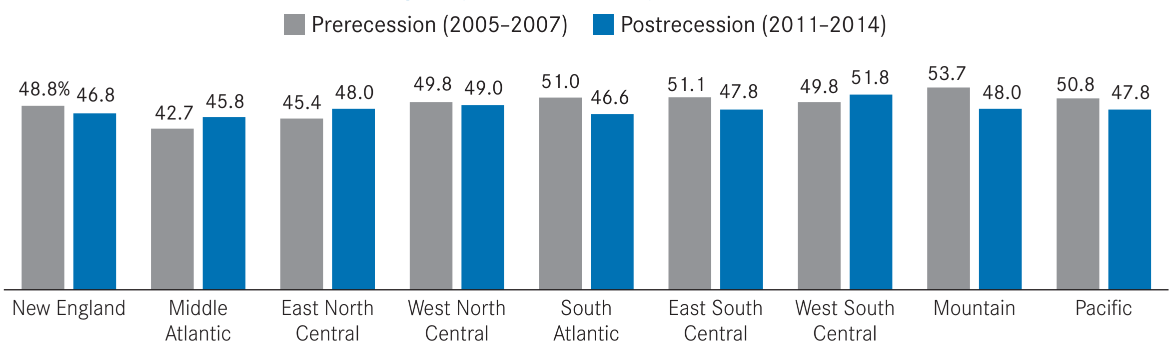
Source: The Conference Board, 2015

Postrecession job satisfaction levels depict a slightly different scenario. Chart 7 shows that workers on the East Coast in Middle Atlantic (New Jersey, New York, and Pennsylvania) and South Atlantic have the lowest job satisfaction in the postrecession years (45.8 and 46.6 percent, respectively). Conversely, the nation's most satisfied workers in the postrecession years are in the Midwest: West South Central (Arkansas, Louisiana, Oklahoma, and Texas), with 51.8 percent satisfied, and West North Central (Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, and South Dakota), with 49.0 percent satisfied. It isn't coincidental that West South Central and West North Central include resource-rich states with a growing oil and gas extraction sector that contributes to low unemployment rates.[4] How does the availability of jobs, a state's labor market, and the unemployment rate affect how satisfied workers are with their jobs? This is explored later in the report (see "Rising Job Satisfaction in an Improving Labor Market" on page 17).

There are still gaps between prerecession and post-recession job satisfaction levels across the country. Only three of nine regions have surpassed prerecession numbers: West South Central, East North Central, and Middle Atlantic (by 2.0, 2.6, and 3.1 percentage points, respectively). The postrecession numbers for the remaining regions have not surpassed prerecession levels, with a gap ranging from 0.8 to 5.7 percentage points. The Mountain region is at the high end, with 5.7 percentage points needed to close the gap. Since this region had the highest prerecession job satisfaction among employees, it now has the largest satisfaction gap to close.

Chart 7

Region prerecession vs. postrecession

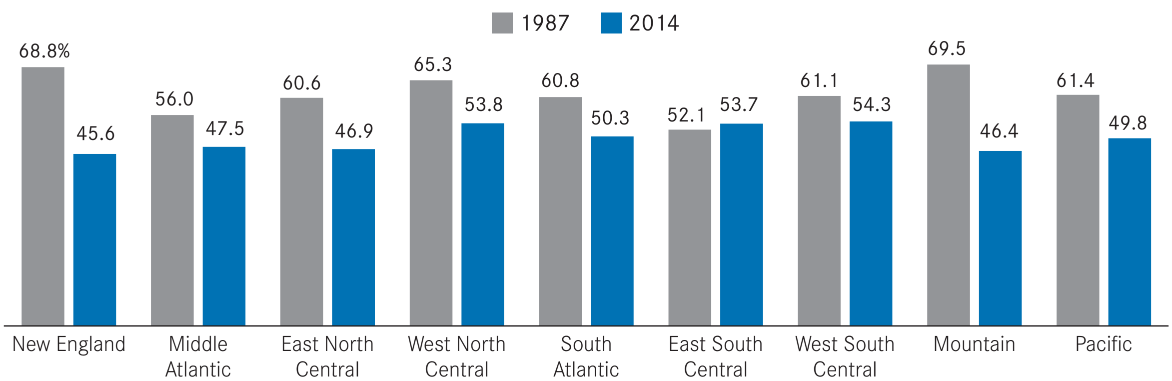


Source: The Conference Board, 2015

4 For more on labor market tightness by state, see Gad Levanon, Bert Colijn, Ben Cheng, and Michael Paterra, *From Not Enough Jobs to Not Enough Workers: What Retiring Baby Boomers and the Coming Labor Shortage Mean for Your Company*, The Conference Board, Research Report 1558, 2014, p. 30.

The historical comparison in Chart 8 shows a stark picture—across the United States, job satisfaction in 2014 is for the most part far behind job satisfaction in 1987. Most regions have not closed the gap between current and historical job satisfaction levels. The only region where workers today are more satisfied than they were in 1987 is East South Central (Alabama, Kentucky, Mississippi, and Tennessee). Job satisfaction was at 52.1 percent in 1987, and in 2014, it is at 53.7 percent; it is a recovery of 1.6 percentage points. The largest difference between historical and current job satisfaction levels is in the Mountain and New England regions (23.1 and 23.2 percentage points, respectively). Workers in these regions had the highest job satisfaction in 1987 (69.5 and 68.8 percent, respectively), yet these workers are currently among the least satisfied in the country (46.4 and 45.6 percent, respectively).

Chart 8
Region historical



Source: The Conference Board, 2015

Economic Elements

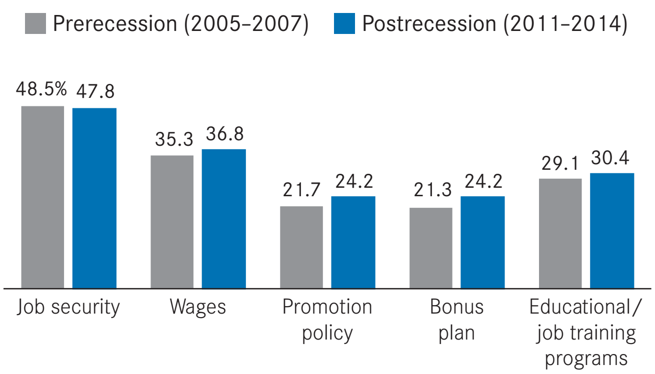
Satisfaction with most economic elements has continued to increase in the postrecession years. Beginning in 2012, aggregate postrecession satisfaction with wages, promotion policy, bonus plans, and educational/job training programs fully recovered to prerecession numbers. Increasing satisfaction is seen again this year as the numbers continue to climb above prerecession levels (Chart 9). As with last year, the only exception to the pattern is job security, with a prerecession score of 48.5 percent and a postrecession score of 47.8 percent, just 0.7 percentage points shy of surpassing prerecession satisfaction.

In the past four years, satisfaction with job security has been steadily increasing, with a 0.5 percentage point increase from 2011 to 2012 and a 0.9 percentage point increase from 2012 to 2013. However, in the last year, satisfaction with job security made the greatest year-over-year increase: 3.6 percentage points from 2013 to 2014. This is a significant increase, relative to its modest growth in previous years. As the economy continues to improve and grow, employers are coming up against labor shortages and competing with other organizations to find the talent they need to sustain their businesses. Workers are gaining more bargaining power in a tightening labor market, so it's no surprise that their sense of job security is increasing.

Still, satisfaction with these job components remains well below historical highs (Chart 10). In 2014, three of the five lowest-scored components of job satisfaction are economic elements: bonus plan (24.0 percent), promotion policy (25.4 percent), and educational/job training programs (31.7 percent) (see Chart 17, page 16, for ranking of all components of job satisfaction). Workers are more satisfied with job security (51.1 percent) and wages (38.0 percent)—historically, workers tend to be more satisfied with these components. Given how unsatisfied workers are with their organizations' promotion policy, employers should take note that with the improving labor market, employees may choose to take matters into their own hands and seek lateral or vertical moves elsewhere.

Chart 9

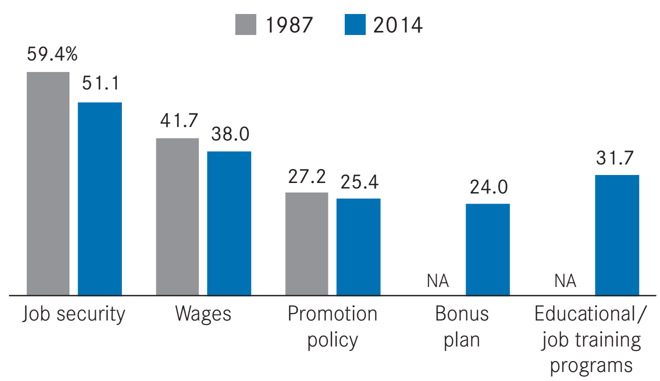
Economic prerecession vs. postrecession



Source: The Conference Board, 2015

Chart 10

Economic historical



Note: NA indicates data collection for the job component did not occur until after 1987.

Source: The Conference Board, 2015

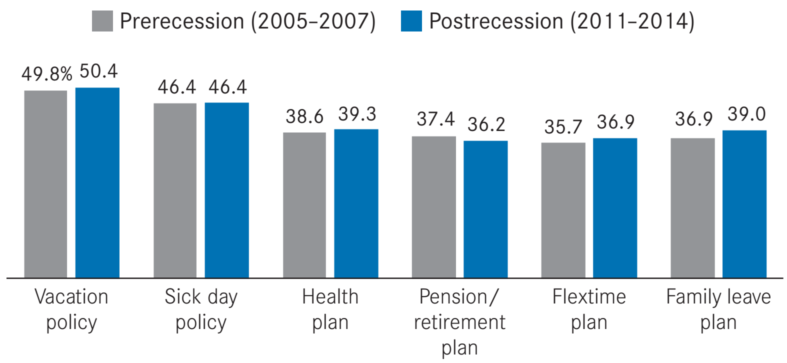
Fringe Benefits

Employee satisfaction with most fringe benefits (vacation policy, sick day policy, health plan, flextime plan, and family leave plan) has increased in the postrecession years to match or exceed prerecession satisfaction levels (Chart 11). Satisfaction with family leave plan has increased the most since the recession (2.1 percentage points). The only fringe benefit to lag behind prerecession numbers is pension/retirement plan, where workers are still 1.2 percentage points away from closing the gap between prerecession and postrecession satisfaction.

Compared to historical levels of job satisfaction, workers in this current survey are still not as satisfied with their fringe benefits (Chart 12). The largest difference between prerecession and postrecession satisfaction is with the health plan, where there is an 11.4 percentage point gap, which is unsurprising given that the share of employee health costs paid by the employer has shrunk in the past decade.[5] Among the fringe benefits, workers are most satisfied with their vacation policy (50.1 percent), followed by sick day policy (46.5 percent) and health plan (38.8 percent).

Chart 11

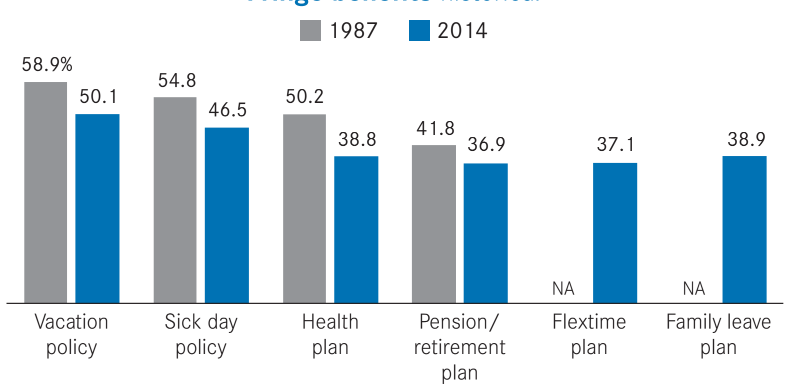
Fringe benefits prerecession vs. postrecession



Source: The Conference Board, 2015

Chart 12

Fringe benefits historical



Note: NA indicates data collection for the job component did not occur until after 1987.

Source: The Conference Board, 2015

5 The Henry J. Kaiser Family Foundation, 2014 Employer Health Benefits Survey, 2014.

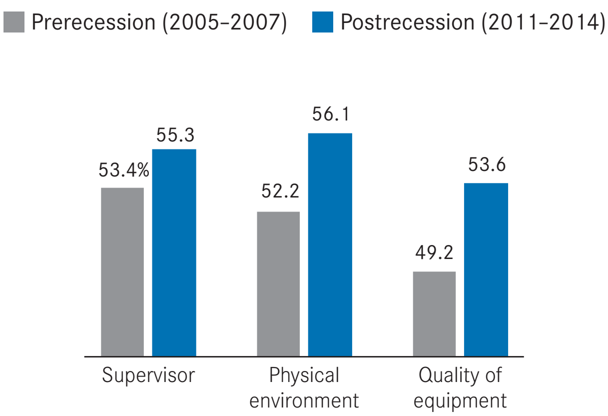
Work Environment

In the postrecession years, satisfaction with all three aspects of the work environment—supervisor, physical environment, and quality of equipment—has stayed above prerecession levels (Chart 13). On the other hand, whereas last year satisfaction scores for physical environment and quality of equipment were higher than 1987 levels, the picture looks a little different this year (Chart 14).

In 2014, only satisfaction with the physical environment exceeds 1987 levels (56.9 percent). Workers' satisfaction with their supervisors (55.9 percent) and the quality of equipment (53.0 percent) is behind compared to historical rates. Workers' relative dissatisfaction with the quality of equipment may be a reflection of the weak rate of business investment that began during the Great Recession.

Chart 13

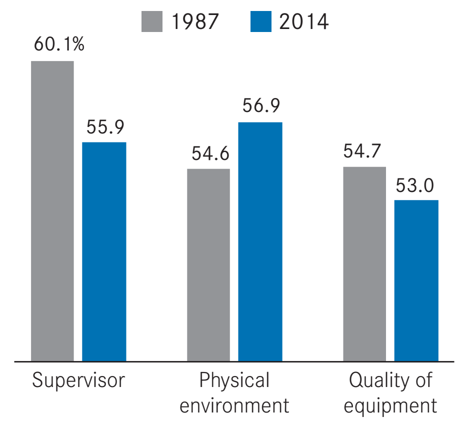
Work environment prerecession vs. postrecession



Source: The Conference Board, 2015

Chart 14

Work environment historical



Source: The Conference Board, 2015

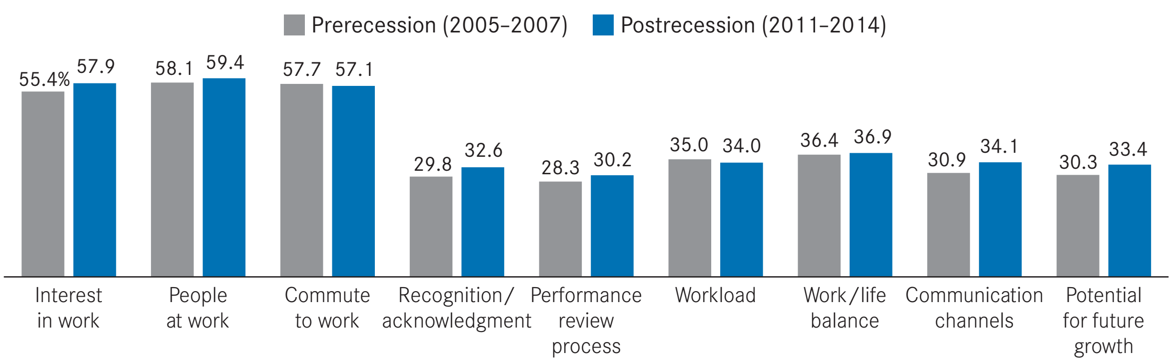
Other Components

For the most part, the other components of job satisfaction show gains in the postrecession years (Chart 15). Most of these components have surpassed the precession numbers, including interest in work, people at work, recognition/acknowledgment, performance review process, work/life balance, communication channels, and potential for future growth. Comparing prerecession and postrecession numbers, the highest increase is in communication channels (3.2 percentage points), which is a positive sign that employees are enjoying greater exchanges with others at work. Similar to last year, two components of job satisfaction that haven't surpassed prerecession numbers are commute to work and workload, which are respectively 0.6 and 1.0 percentage points away from prerecession levels.

In Chart 16, the current levels of satisfaction with these components show that employees are most satisfied with interest in work (57.9 percent), people at work (59.8 percent), and commute to work (57.5 percent). Although these satisfaction rates do not exceed 1987 levels, they are still higher than the other components in this category. Within the category, this year workers are least satisfied with the performance review process (30.5 percent), followed by their potential for future growth (32.6 percent). Employees' dissatisfaction with their organizations' promotion policy (see Chart 17, page 16), combined with their lackluster rating of the performance review process and their potential for future growth (all three are ranked among the bottom six this year), strongly indicates a need to improve these related aspects of employee development.

Chart 15

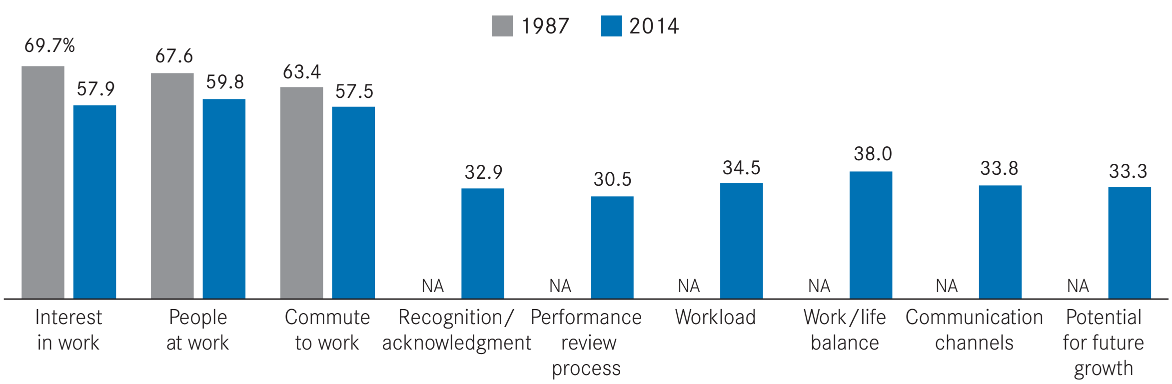
Other prerecession vs. postrecession



Source: The Conference Board, 2015

Chart 16

Other historical



Note: NA indicates data collection for the job component did not occur until after 1987.

Source: The Conference Board, 2015

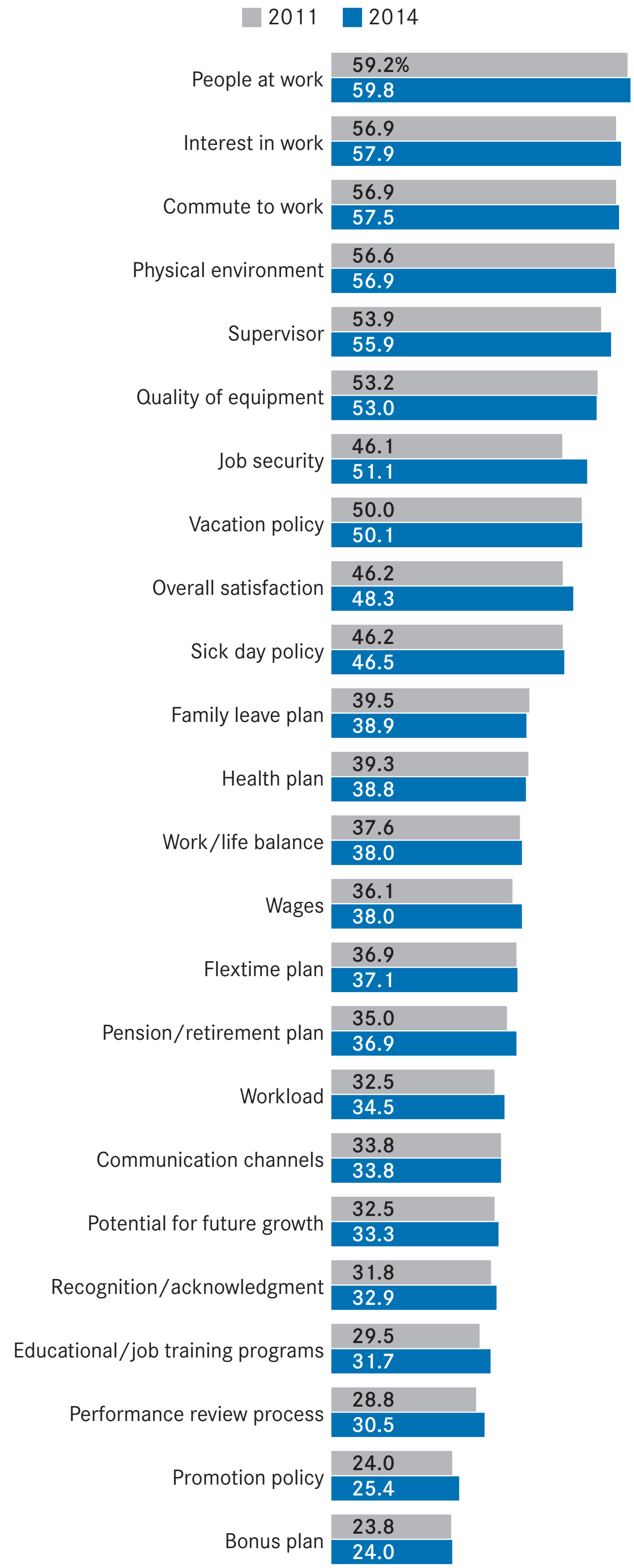
Job Satisfaction in Postrecession Years

Although the recession officially ended in June 2009, the effects lasted for months afterward, and it took time for the recovery to have an impact across the country. The data show that overall job satisfaction began to drop in 2009, and it reached an all-time low in 2010 (see Chart 1, page 4). In 2011, we began to see signs of recovery as job satisfaction picked up and inched its way closer to prerecession levels. For the purposes of this report, postrecession data and comparisons are calculated beginning from 2011. Comparing job satisfaction in 2011, the first full postrecession year, with satisfaction in 2014 provides a useful frame to better understand how job satisfaction has performed in recent years.

For nearly all 23 components of job satisfaction, including overall job satisfaction, workers are a little more satisfied in 2014 than they were in 2011. The exceptions to this are health plan, family leave plan, and quality of equipment, where workers were more satisfied in 2011 than they were in 2014. Where satisfaction has increased from 2011 to 2014, the difference ranges from 0.1 percentage points to 5.0 percentage points. At the high end of the range are overall job satisfaction (2.1 percentage point increase), educational/job training programs (2.2 percentage point increase), and job security (5.0 percentage point increase). Job security stands out as the component of job satisfaction that's increased the most between 2011 and 2014. In the next section, we explore why job security has been on the rise in the postrecession years and whether it could continue to increase in coming years.

Chart 17

Job security has experienced the most significant gain since 2011



Source: The Conference Board, 2015

Rising Job Satisfaction in an Improving Labor Market

One of the most significant developments in the US economy in the last three years has been the improving labor market. In April 2011, the unemployment rate stood at 9.1 percent, and it has since fallen dramatically to 5.3 percent as of June 2015, well within the range of what economists describe as the natural rate of unemployment.

In such an improving labor market, it has become increasingly difficult for employers to hire qualified workers. Many employers had grown accustomed to having an abundance of highly qualified job seekers knocking on their doors following the 2008/2009 Great Recession, and they raised their required qualifications accordingly. This in turn has made it even harder to fill those positions right now as the available pool of highly qualified talent on the open market continues to shrink.

USEFUL DEFINITIONS

The **labor force** is the number of people working or actively looking for work (both employed and unemployed). Those considered not in the labor force are divided into those who want a job but are not actively looking for one (i.e., discouraged workers) and those who do not want a job, usually due to retirement, taking care of family members, disability, or enrollment in school, among other factors.

The **unemployment rate**, a common indicator for labor market tightness and overall health of the labor market, measures the number of unemployed people as a percentage of the total labor force. There are various measures of labor underutilization, such as the traditional unemployment rate, which measures the share of the labor force who do not have a job but are actively searching for one, as well as broader measures, which also include those who want a job but are not actively looking for one in addition to individuals who want a full-time job but are only working part time.

Unemployment is composed of three types: frictional unemployment (i.e., persisting unemployment due to temporary job transitions), structural unemployment (i.e., long-term unemployment due to shifts in the economy that affect the needs and relevance of certain job skills), and cyclical unemployment (i.e., short-term declines in aggregate demand, which in turn reduce the need for additional and/or existing labor). Unemployment is considered long term when a worker has been actively looking for six months or longer.

The **natural rate of unemployment** is the theoretical rate at which an economy is operating at full employment. If the unemployment rate dips below the natural rate, wage pressures are likely to increase as the economy moves into a period where there are more jobs available than qualified workers to fill them. The natural rate of unemployment is specific to each economy. It is currently estimated by the Congressional Budget Office to be 5.4 percent for the United States.

A **tight labor market** refers to labor market conditions in which it becomes relatively difficult for businesses to find qualified and willing job candidates. This occurs when the number of qualified job seekers is relatively small compared to the number of available job openings that employers wish to fill. Increased wage pressure and lower retention rates usually result from this type of labor market environment. In a loose labor market, the conditions are reversed.

Labor market slack is the amount of available and employable labor that is not being used, including part-time workers who want a full-time job.

As the labor market shifts to a "seller's market," workers are better able to improve their job situation in several ways:

Higher Wages As employers compete more and more intensely for a relatively small pool of qualified labor, wages will eventually begin to climb at a faster rate. Wage growth has been mostly elusive during this economic recovery, but we have begun to see signs of accelerating wage growth—and this growth is expected to culminate for previously underutilized workers (such as those who were previously working part time or were looking for work) as well as existing full-time workers in the form of raises as well as higher salaries coming from switching jobs.

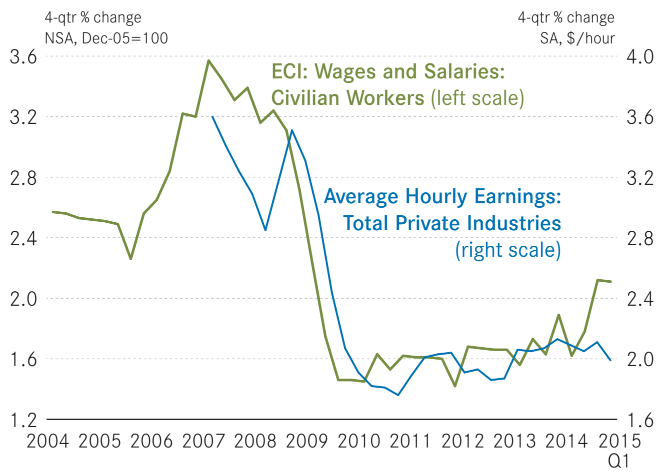
More Job Opportunities, More Labor Turnover
Faced with a greater number of and more attractive job opportunities, existing workers and underutilized workers alike are in a better position to seek new opportunities that are potentially better suited to them.

Downward Pressure on Retention In an increasingly competitive marketplace for labor, employers will find greater difficulty attracting and retaining talent given their resources. Employers can respond by addressing gaps in satisfaction among their existing workforce and determining how to make staying more attractive. In this way, employees do not necessarily have to find new jobs in order to become more satisfied with their job—often, employers mitigate external pressures by being proactive in satisfying their existing workers.

Chart 18

Wage growth is accelerating

Annual growth in average hourly earnings and employment cost index



Source: Bureau of Labor Statistics/Haver Analytics

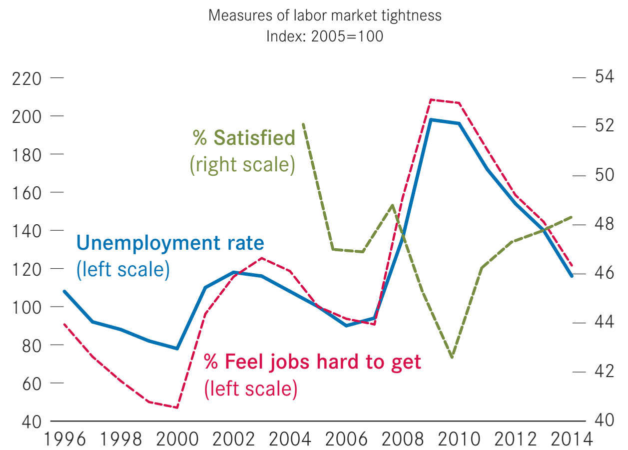
Measuring job availability using The Conference Board Job Satisfaction survey

The Conference Board Consumer Confidence Survey is uniquely equipped to investigate the relationship between labor market conditions and job satisfaction, as it asks respondents about both the extent to which they are satisfied with their current job and their perceptions about the availability of jobs in their area.

Chart 19

Job availability is an excellent gauge of labor market tightness

Unemployment rate vs job availability and job satisfaction



Source: Bureau of Labor Statistics/Haver Analytics; The Conference Board, 2015

More explicitly, each respondent is asked, "What would you say about available jobs in your area right now?" The available responses are: "Plenty," "Not so many," or "Hard to get." We summarize perceptions of job availability by the percentage of respondents who feel that jobs are "hard to get." We find that individual perceptions of labor market conditions are tightly correlated with the national unemployment rate, which suggests that their perceptions are often in line with actual job availability at the national level.

The Impact of Job Availability on Job Satisfaction

As we see in Chart 19, as the labor market improves, the percentage of respondents who feel that jobs are hard to get shrinks, and the share of workers who are satisfied with their jobs grows. To understand how this affects job satisfaction, we compare the satisfaction of respondents who feel that jobs are plentiful with that of those who feel that jobs are hard to get.

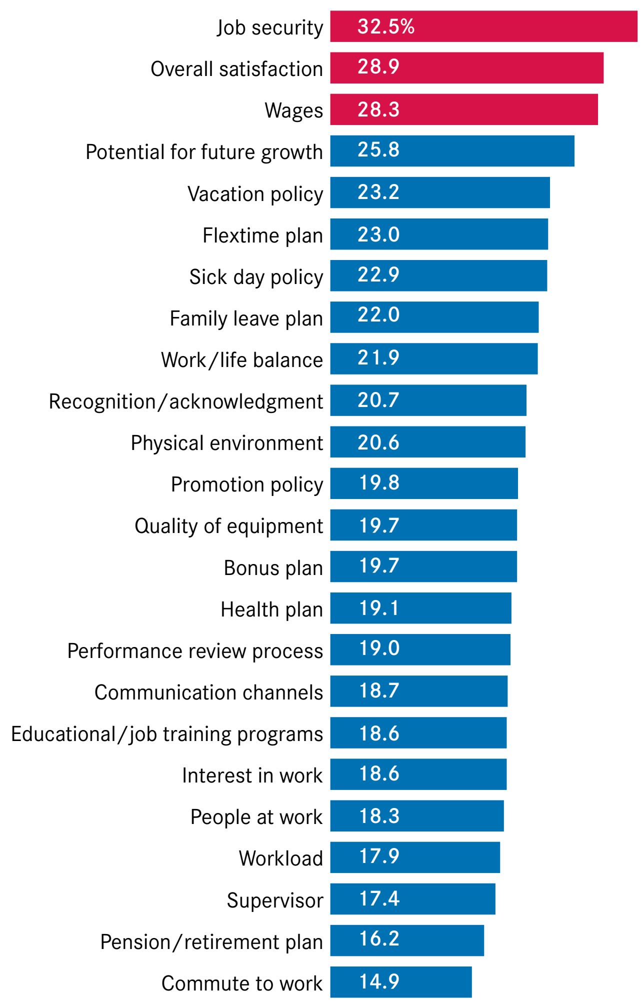
Chart 20 shows the percentage of difference in satisfaction with various aspects of their job between those who feel that jobs are plentiful and those who feel that jobs are hard to get. Those who feel that jobs are plentiful are 29 percent more likely to be satisfied with their job overall; they are also 30 percent more likely to be satisfied with their wages and 32 percent more likely to be satisfied with their job security.

Chart 20

When jobs are plentiful, workers are more satisfied, especially with respect to job security and wages

Impact of job availability on job satisfaction

Percentage difference in satisfaction between those who feel jobs are plentiful and those who feel jobs are hard to get



Source: The Conference Board, 2015

It is not surprising that job security and wages are the most discerning job components with regard to job availability. Compared to the other job components, job security and wages are most influenced by an improving job market. Higher wages result in increased satisfaction with wages, and satisfaction with job security is directly affected by the introduction of underutilized workers to more stable full-time positions, as well as the increased reliance of employers on their existing workers in an environment of systemic low retention rates.

While we see a strong relationship between job availability and job satisfaction, our estimates of that relationship do not necessarily measure the *causal* relationship between the two, as they often influence one another. On one hand, those who feel that jobs are easier to get are more likely to seek new job opportunities that are more suitable for them. On the other hand, those who continue to feel unsatisfied with their job are more likely to do so because they are struggling to find other job opportunities and may therefore continue to feel that jobs are hard to get.

The impact of an improving labor market varies based on age

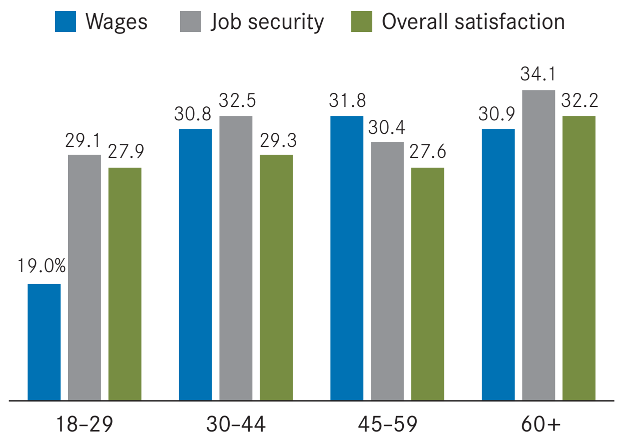
In Chart 21, we compare the difference in satisfaction between those who feel that jobs are plentiful and those who feel that jobs are hard to get across different age groups. We see that the impact of job availability on satisfaction increases with age and is especially significant for older workers, driven mostly by the impact of job availability—even more so than wages—on job security. Job security is especially important for older workers, who, if unexpectedly let go, would encounter greater challenges reentering the job market to find a new job late in their careers compared to their younger counterparts.

Chart 21

Older workers benefit the most from a tightening labor market

Impact of job availability on job satisfaction by age

Percentage difference in satisfaction between those who feel jobs are plentiful and those who feel jobs are hard to get



Source: The Conference Board, 2015

Implications for Future Job Satisfaction

Just how much of a difference has the recovering labor market made on US job satisfaction? Using a basic regression model, we estimate the impact that changes in job availability has had on overall job satisfaction since 2011, and therefore separate the underlying trend of overall job satisfaction from improvements in the labor market.

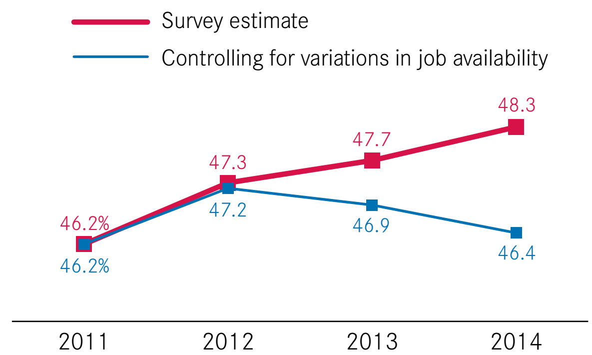
Controlling for workers' perceptions of job availability (blue), we see that the underlying trend of overall job satisfaction tells quite a different story from our original base estimates (red). Since 2012, underlying overall job satisfaction has actually been in a gradual decline, but it has been significantly bolstered by an improving labor market in which jobs are increasingly plentiful and qualified workers are harder to find.

Chart 22

Job satisfaction in a stagnant labor market

Impact of job availability on overall job satisfaction

Estimates of overall job satisfaction

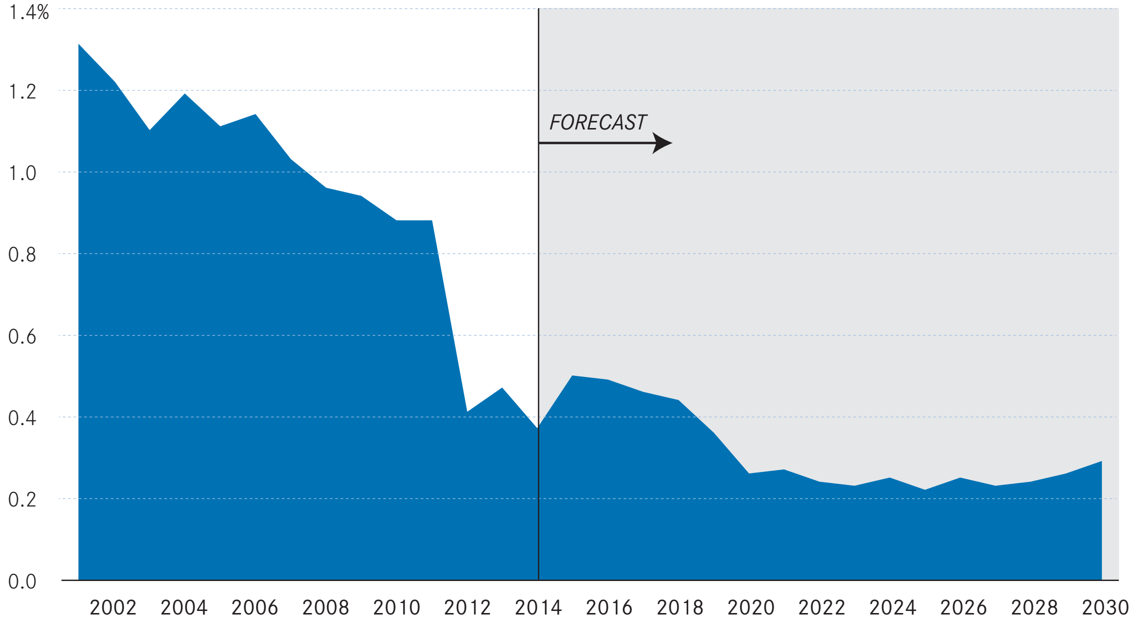


Source: The Conference Board, 2015

Chart 23

An upcoming era of exceptionally slow labor growth

Working-age population growth (18-64)



Source: Census Bureau

Not only has the labor market had a sizable impact on job satisfaction in recent years, but more importantly, it will continue to do so for the next 15 years. According to the US Census Bureau, the size of the working-age population—another measure of long-term supply of labor—is expected to grow at a historically slow pace—near 0.5 percentage points in the foreseeable future based on demographic trends. This slow growth suggests that the war for talent will only continue to escalate.

As the labor market continues to tighten, employers must be prepared to act quickly in the increasingly competitive environment, not only by offering higher market wages and performance-based pay, but also by engaging with their employees across a spectrum of noncompensatory benefits that would make staying in their firm more attractive in the long run.

It is likely that continued tightening of the labor market in the future will continue to bolster job satisfaction, especially with respect to job security and wages. However, sustainable gains in the long term will have to come from employers' implementation of strategies that cement a foundation for engagement and individual growth—doing so will pay dividends in a future where hiring and retaining talent will be increasingly difficult.

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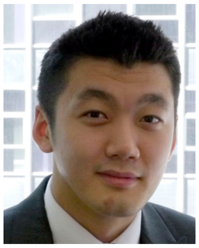

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