

City Vitals Series:

Making Low-wage Jobs Work for
Employers, Workers and Communities



02

A Briefing Paper

An Executive Summary of the paper by
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Overview

There has long been an implied social contract in the United States promising that if people work hard they will be able to earn enough to support their families. Increasingly, that contract is broken. As the number of low-wage jobs continues to grow, urban leaders must confront the social cost of large numbers of citizens who fall into the category of the “working poor.”

Citing U.S. Bureau of Labor Statistics projections that by 2014 nearly half of all job openings will be filled by individuals with a high school education or less, social research expert Gordon Berlin concludes that “low-wage work and the relentless recession it signifies are here to stay.”

Key Point #1

Where low-wage work was once seen as a first step on a career ladder to better, higher-paying jobs, workers are now falling into “long-term poverty traps.”

Key Point #2

Work support programs can benefit employees and employers by increasing employment, earnings and retention; improving educational outcomes for younger children and providing health insurance to those who would otherwise be uncovered.

Key Point #3

Achieving higher levels of education dramatically reduces the likelihood of people joining the ranks of the working poor. Education and increased mobility are key to moving out of the low-wage work trap.

This paper addresses the composition of the low-wage workforce, factors that have contributed to the growth of low-wage work, government supports available to the working poor, and promising strategies to connect

such workers to opportunities in the labor market. It concludes with a series of steps urban leaders can take to strengthen their communities by assisting low-wage workers.

Key Point #1

Where low-wage work was once seen as a first step on a career ladder to better, higher-paying jobs, workers are now becoming “condemned... to longer-term poverty traps.”

No hard and fast definition exists for “low-wage workers,” and consequently it is difficult to pin down the precise number of such workers in the United States. There is widespread agreement, however, that the number of working poor is large and growing.

Some argue that low-wage jobs can be stepping stones to better jobs, not the beginning of dead-end careers. However, job mobility for low-wage workers has decreased over the last decade.

According to Pablo A. Mitnik and Matthew Zeidenberg of the Center on Wisconsin Strategy, the evidence shows a substantial number of people “are being condemned not just to poverty and low-wage jobs for a limited time, but to poverty and low-wage careers and to long-term poverty traps.”

Workers with the least human capital, including those with limited literacy and/or limited English, long-term welfare recipients, public housing residents, substance abusers, and ex-convicts, are the least likely to find jobs that lift them above the poverty level.

Multiple factors have resulted in the increase in low-wage jobs. Frequently cited are rapid technological advances; changing workforce demographics, including large numbers of immigrants; the decline of unionization; and the loss of industrial jobs.

Public policies, from the federal to the local level, also have exacerbated the problem. For example, for about a decade, the federal minimum wage sat at \$5.15. During that 10-year period, the value of the minimum wage reached its lowest level in more than 50 years. In 2007, Congress approved an increase to \$7.25 an hour over a two-year period. At \$7.25 per hour, a full-time worker trying to support a family of four still will fall below the poverty line.

At the local level, municipal governments are cutting costs by privatizing services, contracting with companies that pay lower wages and offer fewer benefits than public employers. Tax breaks or tax incentives too often go to businesses without regard to the quality of jobs they provide.

According to the latest Bureau of Labor Statistics projections, total employment will increase by 18.9 million jobs (13 percent) during the 2004–2014 period, reaching 164.5 million. Of the 54.7 million total job openings, 46 percent are expected to be filled by those with a high school education or less.

According to a study by the Atlanta Regional Council for Higher Education, even in the same occupation, salaries of BAs are higher than those of high school graduates. Average pay is more than double in some occupations such as financial management, human resources management and retail sales.

The two occupational groups expected to increase the fastest and add the most jobs during that 10-year period—professional and related occupations and service occupations—are on opposite ends of the educational attainment and earnings spectrum. These groups were the two largest in 2004 and are expected to provide about 60 percent of the total job growth from 2004 to 2014.

Seven of the 10 occupations projected to have the largest job growth during that period pay median annual wages ranked in the low or very low quartiles (retail sales people; customer service representatives; janitors and cleaners; waiters and waitresses; food preparation and serving workers; home health aides; and nursing aides, orderlies, and attendants). Six of the seven occupations tend to require no post-secondary education beyond on-the-job training.

Key Point #2

Work support programs can benefit employees and employers by increasing employment, earnings and retention; improving educational outcomes for children and providing health

insurance to those who would otherwise be uncovered.

As long as the U.S. economy continues to depend on a large number of jobs that provide low wages and poor benefits, policies to assist low-income working families will continue to be needed. Such policies benefit not only working parents but their children. Growing up in poverty can limit children's cognitive and physical development. In addition, assisting working-poor families can help slow the long-term increase in income inequality.

A variety of federal, state, and local work support programs, as well as efforts by employers and non-profit organizations, help workers make ends meet. Although there is no standard definition for the term "work supports," descriptions typically mention the minimum wage, Earned Income Tax Credit, child care assistance, the Food Stamp program, and the public health insurance programs Medicaid and State Children's Health Insurance Program (SCHIP). Other programs include unemployment insurance, transportation assistance, housing assistance, Temporary Assistance for Needy Families (TANF) cash assistance, welfare earnings supplements, and the Child Tax Credit.

In general, research shows that work support programs can benefit both employees and employers by increasing employment, earnings, and retention; improving educational outcomes for younger children; and providing health insurance to those who would be uncovered otherwise. Unfortunately, however, the percentage of eligible low-wage workers who receive any of the available work supports is often below 50 percent. One recent study estimates that the take-up rate for the full package of available work supports is as low as 5 percent. Child care subsidies, for example, serve only a small percentage of those eligible for such assistance.

Employers that help workers access earnings supplements in effect provide a pay increase without raising their costs. These companies may also see decreased turnover and absenteeism, improved recruitment and

retention, higher productivity and greater company loyalty.

There are other steps employers can take to improve the lives of low-wage workers while simultaneously increasing productivity. Low-wage workers arguably need more flexibility than those who can afford to pay for services such as baby-sitting while they are at work. Higher incidence of children with chronic medical conditions or learning issues and heavier reliance on informal child care among low-wage workers and low-income families add to the need for flexibility. In fact, job autonomy and workplace flexibility are more critical for low-wage workers than for high-income workers. Similarly, more learning opportunities on the job, more fringe benefits and supervisors who are supportive when work/life balance issues arise make a bigger difference in job satisfaction for low-wage workers than they do for higher-wage employees. ****

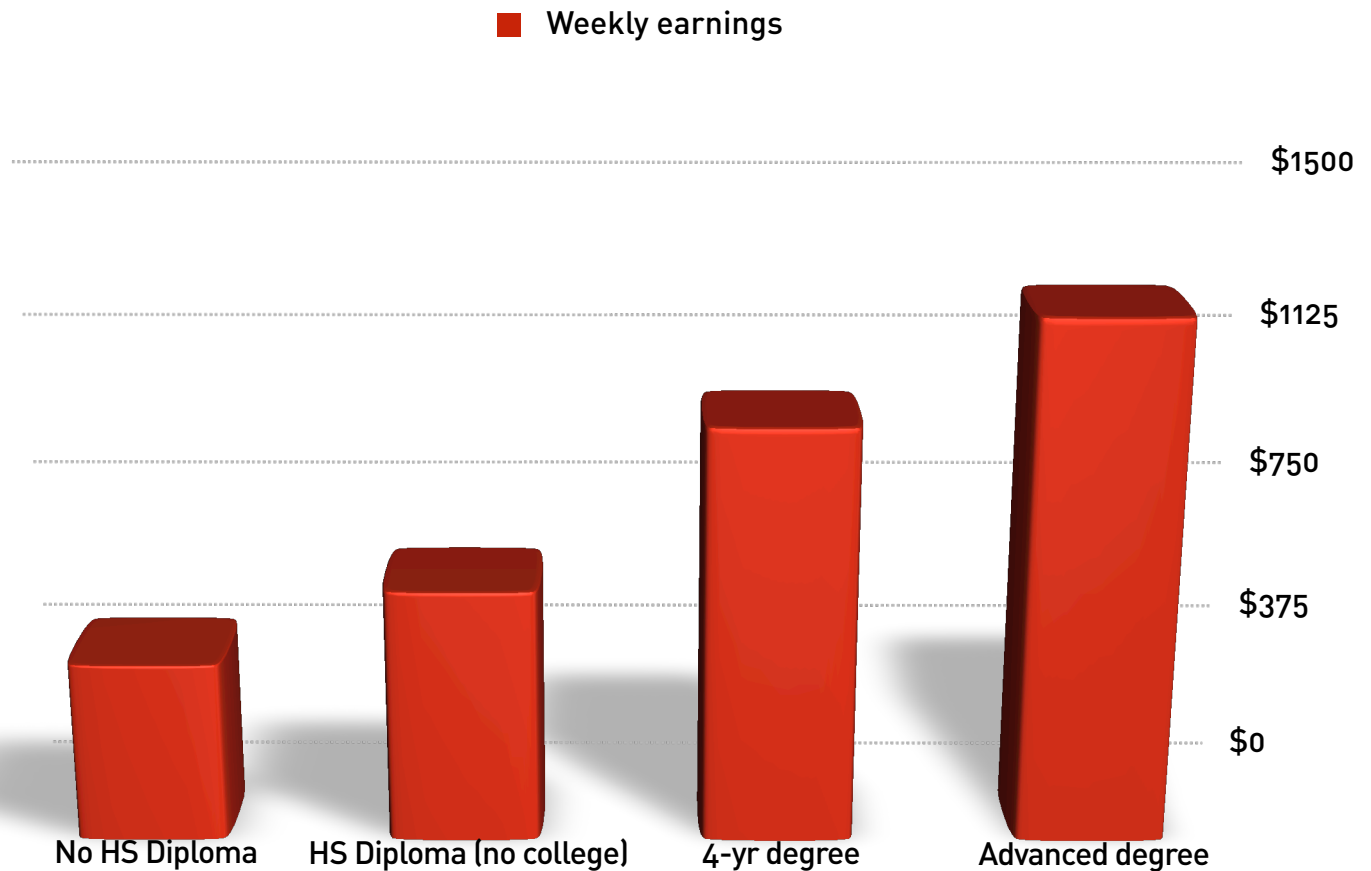
Key Point #3

Achieving higher levels of education dramatically reduces the likelihood of people joining the ranks of the working poor. Education and increased mobility are key to moving out of the low-wage work trap.

In today's economy, it is difficult to find entry-level jobs that offer an opportunity for the career advancement that manufacturing jobs offered in the past. At the same time, the "second chance" systems for adults with limited skills, such as adult literacy and job training programs, are generally not very effective in connecting participants to post-secondary education and careers.

More education by itself does not ensure that people will escape poverty, since the supply of well-paying jobs is just as critical as the supply of educated workers. However, data compiled by the Bureau of Labor Statistics suggests that achieving higher levels of education dramatically reduces the likelihood of people joining the ranks of the working poor. Individuals with higher levels of education have greater access to higher-paying jobs than those with less

education. For example, in 2007, full-time workers age 25 and over without a high school diploma had median weekly earnings of \$428, compared with \$604 for high school graduates (no college), \$987 for those holding bachelor's degree and \$1,236 for those with advanced degrees.



Model Programs

Some local non-profit organizations have had considerable success working with employers to improve workers' skills and help them advance up the career ladder:

- Opportunity Chicago is a workforce development initiative launched in 2006 in conjunction with the Chicago Housing Authority's Plan for Transformation to train and provide job access to public-housing residents. ***
- The Wisconsin Regional Training Partnership (WRTP) is a non-profit membership organization of unions, contractors and public agencies that trains workers and places them in jobs with good wages. ***
- Taller San Jose is an educational and job-training center that targets high-risk, primarily Latino young adults in Orange County, Calif. By training and placing them in living-wage jobs, Taller San Jose helps undereducated and unskilled youth move out of poverty and avoid criminal recidivism. ***

Conclusions

Experience and empirical evidence suggest that there are many steps urban leaders can take to improve the circumstances of low-wage workers and strengthen their communities. Topping the list are three common sense strategies:

1. Improve public education
2. Make work pay
3. Promote mobility

Recognizing that education is the single most important predictor of lifetime earnings, that school quality drives the decisions of employers and homeowners, and that the percentage of a region's population with post-secondary degrees determines its economic competitiveness, urban leaders across the country are testing new and innovative approaches to early childhood and elementary education, promoting high school attendance and completion, increasing the flexibility and relevance of community colleges, and opening new pathways to post-secondary education. The Harlem Children's Zone project enrolls hundreds of parents of children 0 – 3 years old in its Baby College, and its Harlem Gems pre-K programs developed by Dr. Berry Brazelton help to ensure school readiness. Cities like Milwaukee, Tulsa, and Omaha – home to comprehensive EduCare Centers, are similarly focused on early development and school preparedness.

In Chicago, business and philanthropic leaders have stepped up with \$45 million to support Renaissance 2010; they have opened 55 new schools and significantly increased both attendance and achievement. And Portland and Denver, among others, have restructured their community college systems to better prepare people for available, well-paying jobs and to make it possible for workers to acquire new skills and new credentials while employed.

In addition, mayors and other elected officials are taking crucial steps to make work pay, primarily by helping low- and moderate-income workers supplement earnings. ACCESS NYC educates individuals about their eligibility for more than 30 public and employer benefits, such as food stamps and tax credits, which reduce their cost of living and supplement their wages. Miami's Prosperity Campaign helps low-wage workers develop budgets, repair credit, get financial coaching, and homeownership assistance. And contrary to expectation, several cities have enacted living wage requirements with little or no negative impact. Some, like San Francisco, have adopted municipal minimum wages and earned income tax credits. Given that income generated locally tends to circulate locally, some urban leaders have become strong proponents of wage and tax policies that benefit cities and surrounding communities. One such proposal is the Employee Free Choice Act, likely to lead to increases in union representation and thus better jobs.

For most low-wage workers, employer loyalty does not pay. Instead, earnings gains result from the acquisition of new skills and moves to new employers. Efforts that make it easier for workers to attend classes while employed or to transfer credentials and benefits from one employer to another improve the circumstances of the individual and enhance the local economy. Similarly, efforts that align employer and employee preferences, such as those supported by the National Fund for Workforce Solutions in cities such as Baltimore, Chicago, New York, Los Angeles, and San Diego, prepare workers for jobs with career paths and positions that pay family-supporting wages.

Urban leaders can, and are, shaping the public dialogue about policies that disproportionately disadvantage low- and moderate-income families. With bold leadership and data-driven local innovation, they are also forging more equitable and effective workforce development systems.

About CEOs for Cities

CEOs for Cities is a national cross-sector network of urban leaders from the civic, business, academic and philanthropic sectors dedicated to building and sustaining the next generation of great American cities.

We support the development of next generation cities by:

- Identifying first-look trends and opportunities that represent the best opportunities for cities and the people who live in them to succeed
- Connecting urban leaders to powerful ideas and each other
- Articulating the value to cities and the nation of improving performance on key urban success measures
- Mobilizing new urban activists to execute real change in cities
- Telling powerful stories about the potential of cities to solve our most pressing problems

CEOs for Cities works with its network partners to develop great cities that excel in the areas most critical to urban success: talent, connections, innovation and distinctiveness.

We believe the path to solving our nation's most critical and urgent challenges runs directly through successful cities. We invite you to learn more. There are five ways to engage in our work:

Enlist as an **Urban Enthusiast**

Participate fully in our network as a **City Catalyst**

Sponsor a local **City Cluster**

Support the national movement as a **City Champion**

Share your expertise as a CEOs for **Cities Fellow**

Want to change the world? Start with your city.

Cities are the solution.

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