

Compensation

New Low-Wage Job Market Poses Challenges For Workers and the Economy, Study Finds

The proliferation of low-wage jobs held by workers who are “just scraping by” is threatening to become the “new normal” nationwide, according to the 15th annual Job Gap Study, released Dec. 3 by a national network of 12 community and racial justice organizations.

“America is experiencing a profound shift in the economy to a labor market producing a greater share of low-wage jobs, and large employers are the primary drivers of this trend,” according to the report from the Seattle-based Alliance for a Just Society. The report is titled “America’s Changing Economy: Searching for Work that Pays in the New Low-Wage Job Market.”

A small and shrinking proportion of jobs pay enough for families to make ends meet, and in every region studied, the number of job seekers far exceeds the number of job openings that pay a living wage, the report said. In addition, the report said, “recent and proposed minimum-wage increases fall short of the income levels it takes to get by in America today.”

Data on Bank Tellers. Unrelated data about the 478,379 bank tellers in the U.S., which the University of California Berkeley Center for Labor Research and Education released Dec. 4, reflect a somewhat similar story.

“What we found is that nearly a third of the bank tellers in the United States rely on one or more public assistance programs to get by,” Ken Jacobs, the center’s chair, told Bloomberg BNA Dec. 4.

The data on bank tellers, whose median annual income is \$24,000 a year, or \$11.59 an hour, Jacobs said, were based on Census Bureau information from the Current Population Survey, 2008-2012; the American Community Survey, 2007-2011; and the Labor Department’s 2011 Occupational Employment Statistics.

Job Gap Study Results. The alliance’s study is based on 2012 Bureau of Labor Statistics data, as well as other state and federal public data sources, the researchers said. It examines employment opportunities and outcomes in New York City and 10 states—Colorado, Connecticut, Florida, Idaho, Maine, Montana, Nevada, Oregon, Virginia and Washington. The study’s authors,

Ben Henry and Allyson Fredericksen, calculated job openings for 2013 based on employment projections.

“In this so-called economic recovery, what we’re seeing is that jobs are being created in low-wage sectors,” Henry, a senior policy associate at Alliance for a Just Society, told Bloomberg BNA Dec. 4. “The number of jobs that actually pay above \$15 an hour have decreased by 4 million in America since the end of the Great Recession, while the number of low-wage jobs have increased by 3.6 million.”

The report analyzed what workers need to earn in a full-time job for their families to make ends meet. It assumes workers receive no public assistance and highlights economic differences in five types of household, from a single individual to a married couple with two children.

Defining a Living Wage. In the report, researchers calculated living wage levels for different household structures, the percentage of available jobs that pay median wages at or above those living wage levels, and the number of job seekers for every living wage job opening.

A living wage is defined in the study as compensation that allows families to meet their basic needs—such as housing, food, utilities, transportation, health care and child care—without public assistance and that provides them with some ability to handle emergencies and plan ahead.

In households comprising a single individual, the study said, living wages range from \$13.92 in Montana to \$22.66 in New York City. The percentage of projected job openings that pay less than living wages range from 41 percent in Washington state to 64 percent in Florida. The job gap, or number of job seekers to living wage job opening, ranges from 5 to 1 in Colorado to 25 to 1 in Connecticut.

In households that include a single adult and a child aged 6 to 8, the study said, living wages range from \$19.36 in Montana to \$30.02 in New York City. The percentage of projected job openings that pay less than living wages ranges from 61 percent in Washington state to 80 percent in Florida. The job gap ranges from 8 to 1 in Colorado and Washington state to 41 to 1 in Connecticut.

Low-Wage Jobs Expanding. The study defines a low-wage job as one in an occupational category in which the median wage is less than \$15 an hour in 2012 dollars. In 2012, it said, for every job opening that paid

above that low-wage threshold of \$15 an hour, there were seven job seekers, including workers who identified as unemployed, discouraged or underemployed.

“This ‘National Job Gap’ demonstrates both how crowded the job market is for jobs that pay above the low-wage threshold,” the study said, “and how few of those jobs actually exist.”

The report noted that the total number of job seekers more than doubled during the 2008-2009 recession, rising to 22.2 million in 2009 from 10.8 million in 2007.

While the number of job seekers tapered somewhat to 20.8 million in 2012, the report said, the count remained close to double the 2007 pre-recession level.

“With 20.8 million job-seekers in 2012 and a projection of only 2.9 million job openings in occupations with median wages above \$15 an hour,” the study authors said, there were 17.9 million more job seekers than jobs that pay above the low-wage threshold. “These job-seekers are left to find either low-wage, non-sustaining jobs or no work at all,” they wrote.

Henry said some of the nation’s largest employers, including Wal-Mart Stores Inc. and McDonald’s Corp., are also some of the largest employers of low-wage workers.

“They don’t have any incentive to not pay low wages with such a crowded job market and so few good-paying jobs,” he said.

Suggested Solutions. The report said the trends noted “call for action from Congress and state legislatures to address the job gap through a balance of raising wage floors and strengthening safety net programs.”

One solution, the study authors said, would be to support the federal Fair Minimum Wage Act (S. 460, H.R. 1010) and minimum wage increases in states and municipalities. Introduced March 5 by Sen. Tom Harkin (D-Iowa) and Rep. George Miller (D-Calif.), the federal measure would raise the national minimum wage to \$10.10 approximately two years after enactment (43 DLR A-3, 3/5/13). The minimum wage would be indexed to inflation after that and includes provisions for tipped employees.

“Although proposed minimum wage increases still fall short of providing enough to make basic ends meet, increasing the federal minimum wage to \$10.10 an hour and indexing it to inflation will lift 6 million American workers out of poverty,” the report said. “Further, setting a policy that prevents corporations that do not pay living wages from receiving public subsidies offers an incentive for better wages.”

Another suggested solution is to strengthen federal and state safety net programs and work supports.

“In the absence of living wage jobs, strong federal and state safety nets can help workers provide for their families,” the report said. Federal programs like Temporary Assistance for Needy Families should be expanded to meet increased needs and not have funding capped, researchers said. “Additionally, funding for safety net programs such as Medicare and the Supple-

mental Nutrition Assistance Program should be strengthened, not cut,” they said.

The report also said that “supports like state-level Earned Income Tax Credits, child care assistance and tax credits, and state health care programs should be bolstered.” In addition, “states should make state-federal partnerships, such as TANF, more robust, and should accept federal funding for expanding Medicaid,” researchers said.

The report also called for an increase in federal and state revenue.

“A strong safety net requires enough revenue to support it,” researchers said. “At the federal level, allowing taxes on high-income earners to increase to previously held levels will help inject revenue into the economy that can then support low-wage workers. A financial transaction tax can also help level the playing field by taxing certain large financial transactions and using that revenue to strengthen work supports.”

The report said that increasing revenue at the state level is also important for strengthening state-level programs. This could be done, researchers said, “by evaluating and closing tax loopholes, making a state’s tax structure more progressive, and ensuring that surpluses are used to strengthen infrastructure and work supports.”

“To guarantee that both federal and state budgets balance, more must be done to ensure that corporations pay into the system,” the report said. “When corporations that pay workers low wages do not pay taxes, they are benefiting from a safety net system into which they do not contribute.”

The report also called for more protections for low-wage workers.

“Low-wage workers already struggle to support their families; they should not also have to worry about receiving the wages they are due or having to take out unregulated, high-interest loans to cover costs,” it said.

“States need to support measures to address wage theft and ensure that workers are being paid at least the minimum wage that they are due,” researchers said, adding that “states also need to regulate payday lending operations to ensure that interest rates and fees are capped and transparent.”

The Alliance for a Just Society comprises Race Forward, Connecticut Citizen Action Group, Center for Intercultural Organizing, Colorado Progressive Coalition, Idaho Community Action Network, Indian People’s Action (Montana), Maine People’s Alliance, Make the Road New York, Montana Organizing Project, Oregon Action, Progressive Leadership Alliance of Nevada and Washington Community Action Network.

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Text of the study is available at <http://op.bna.com/dlrcases.nsf/r?Open=rsmh-9e3txg>.

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