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Playing an Insecure Hand

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Playing an Insecure Hand

Abstract

For a growing number of families and workers in Western New York, low-wage work is the only—or the last—employment option. In 2009, one out of four jobs in the region were in occupations where the median annual wage fell below the poverty line for a family of four. This rising reliance on low-wage work is a discouraging change from the post-war economic boom when incomes and standards of living soared—a period that continues to shape our employment and lifestyle expectations. Actions by an array of individuals and groups—unbound by ideology—are essential for alleviating regional economic insecurity.

Keywords

Buffalo, Poverty/Low Wage Work/Income Inequality, Low Wage Work, Policy Brief, Other, PDF

Who are
Western New
York's low-wage
workers?

How has the
workforce
evolved?

What are the options
for low-wage
workers today?



Playing an Insecure Hand

Low-Wage Workers in the New Economy

For a growing number of families and workers in Western New York, low-wage work is the only—or the last—employment option. In 2009, one out of four jobs in the region were in occupations where the median annual wage fell below the poverty line for a family of four. This rising reliance on low-wage work is a discouraging change from the post-war economic boom when incomes and standards of living soared—a period that continues to shape our employment and lifestyle expectations. Actions by an array of individuals and groups—unbound by ideology—are essential for alleviating regional economic insecurity.

Who are Western New York's low-wage workers?

The faces of economic insecurity in Western New York are familiar: a cashier, a child care worker, a hotel clerk, a pre-school teacher, a security guard, a bus driver. Throughout our region, workers at the low end of the wage spectrum fill positions critical to every economic sector. And many of them live beneath—or precariously close to—the thresholds of poverty.

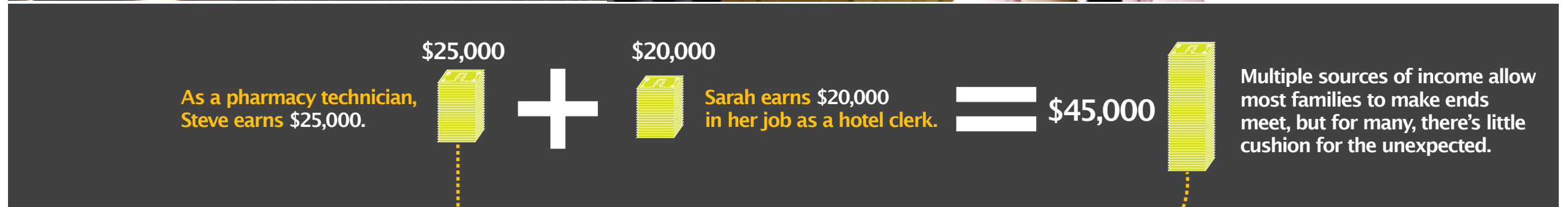


Steve and Sarah, together raising a family of four, are among a growing number of WNY workers at the low end of the wage scale.



With two incomes, they manage to pay their monthly bills and afford a lower middle-class lifestyle.

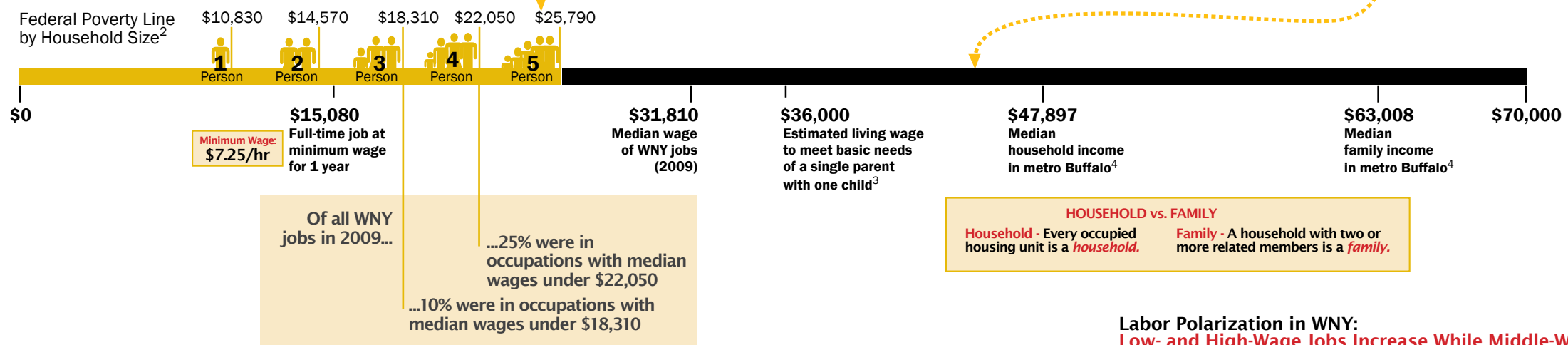
In metro Buffalo, 60% of households with three or more people have multiple workers—just like Steve and Sarah's family.⁴



Selected Occupations in WNY by Median Annual Wage, 2009¹

OCCUPATION	MEDIAN WAGE
Gaming Dealers	\$16,090
Service Station Attendants	\$16,130
Cashiers	\$16,320
Dishwashers	\$16,600
Bartenders	\$16,860
Fast Food Cooks	\$17,270
Laundry and Dry-Cleaning Workers	\$18,170
Fed. Poverty Line, 3-Person Household	\$18,310
Child Care Workers	\$18,330
Waiters and Waitresses	\$18,630
Retail Salespersons	\$18,940
Maids and Housekeeping Cleaners	\$19,550
Personal and Home Care Aides	\$19,850
Hotel, Motel, and Resort Clerks	\$20,290
Home Health Aides	\$21,730
Janitors and Cleaners	\$21,830
Preschool Teachers	\$21,980
Fed. Poverty Line, 4-Person Household	\$22,050
Teacher Assistants	\$22,180
Landscaping and Groundskeepers	\$22,690
Security Guards	\$22,790
Hairstylists, and Cosmetologists	\$22,790
Bus Drivers	\$24,040
Tellers	\$24,540
Pharmacy Technicians	\$25,430
Fed. Poverty Line, 5-Person Household	\$25,790
Truck Drivers, Light or Delivery Services	\$26,950
Medical Assistants	\$29,080
Bus Drivers, School	\$29,750
Travel Agents	\$30,950
Dental Assistants	\$31,030

Median Annual Wage of WNY Jobs \$31,810



Far from a trivial subset of the labor force, low-wage workers occupy a large share of the region's jobs. Much like the rest of the nation, Western New York has experienced an increased presence of low-wage jobs in recent years. Working a full-time, minimum wage job, a household of two is within a hair's width of the federal poverty line.

For many low-wage workers, the poverty line is an inadequate descriptor of economic distress. Making enough money to cover basic needs often requires an income well above the official—and widely disputed—poverty thresholds. Penn State's Living Wage Calculator³ estimates that a single adult in Erie County has to make \$18,300 (or \$8.80 an hour) to meet their basic needs. For a single parent with a five-year-old child,

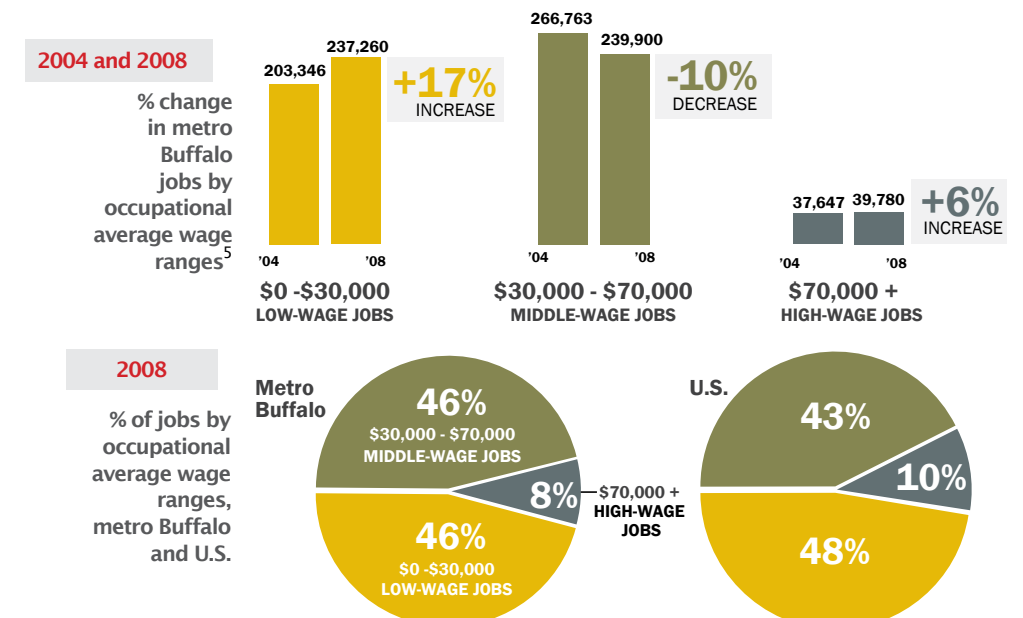
that level is around \$36,000—exceeding the median wage of all jobs in the region by nearly \$5,000.

In many households, meeting basic needs or reaching a desired income level now requires multiple jobs. In 60 percent of households in metro Buffalo with three or more people, two or more members of the household work at least part-time.

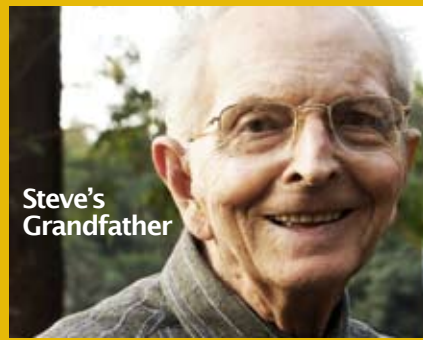
Those families that pull in multiple sources of income fare reasonably well in this region. The median family income of \$63,008 is three times the federal poverty threshold for the average family of three. Overall poverty levels in 2008 for the metro Buffalo region, at 13.3 percent, were very close to the national average.

Yet, maintaining a safe distance from the poverty line has become more and more difficult. Western New York, like the rest of the United States, has witnessed the phenomenon of labor polarization, with growth in low- and high-wage jobs accompanied by losses in the middle. Between 2004 and 2008, jobs in low-paying occupations grew by 17 percent, while high-paying jobs grew by 6 percent. At the same time, jobs in middle-wage occupations declined by 10 percent.⁵ Consequently, occupations in the low- and middle-wage categories accounted for equal shares—46 percent—of metro Buffalo jobs by 2008. However, compared to the national average, metro Buffalo still has proportionally fewer low-wage jobs.

Labor Polarization in WNY: Low- and High-Wage Jobs Increase While Middle-Wage Jobs Decline



Due to rounding, percentages may not add to 100.



Steve's Grandfather

Single income from manufacturing job puts family of five in middle class

BORN 1928
MILITARY SERVICE 1946-1949
WORKING ERA 1950-1990
EDUCATION Through 11th grade
FAMILY Wife (homemaker), 3 kids
WORK One employer, full-time factory career
HOUSING 3-br, suburban home, purchased 1955
SAFETY NET Veterans' benefits, private sector union; lifetime pension and health



Steve's Father

Single income from manufacturing job puts his family of four in the middle class

BORN 1951
MILITARY SERVICE 1969-72
WORKING ERA 1973-2009
EDUCATION High school graduate
FAMILY Wife (homemaker, re-entered workforce in mid-life), 2 kids
WORK One employer, full-time factory career, some layoff periods
HOUSING Starter home to 4-br, suburban home, vacation cottage
SAFETY NET Veterans' benefits, private sector union; partial pension, public sector supplements (Medicare, Social Security)

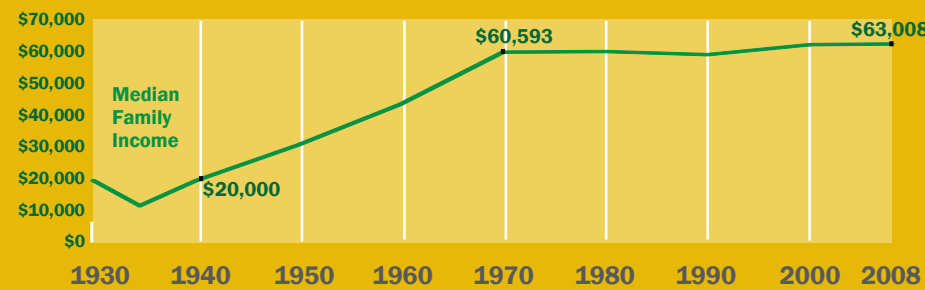


Steve

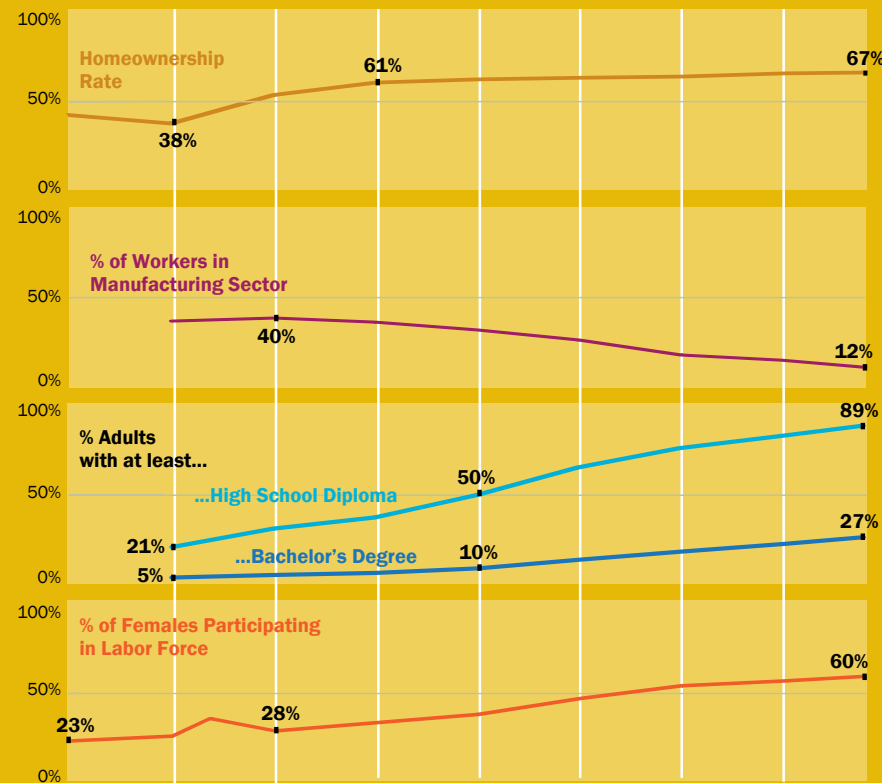
Two low-wage jobs barely support a family of four

BORN 1979
MILITARY SERVICE none
WORKING ERA 1998-present, projected to 2046
EDUCATION Associate's degree
FAMILY Wife (full-time worker by necessity), 2 kids
WORK Two employers to date, insecure positions
HOUSING Rental unit, recent purchase of 4-br home stretching finances
SAFETY NET Public sector supports for low-income families

Change through the Generations: A Look at Metro Buffalo's Labor Force and Families⁶



After a Depression-era dip, family income in metro Buffalo climbed for three decades before stabilizing at \$60,000. (figures are inflation-adjusted)



Rising incomes, easy credit and growing suburbs pushed homeownership in the region from 38% in 1940 to 61% by 1960, with modest growth in recent decades.

Cresting at 40% in 1950—well above the national rate—the share of the region's workforce in manufacturing has tumbled since then. Now under 12%, it's similar to the U.S. average.

The proportion of adults in the region with high school diplomas has risen dramatically, while those with college degrees have grown slowly but steadily.

After a brief spike during World War II, the proportion of women in the region's labor force has steadily grown, from 28% in 1950 to 60% today.

Photo credits - portrait of "Steve," Simona Balint; portrait of "Sarah," Boris Peterka; portrait of "Steve's grandfather," Mokra; portrait of "Steve's father," Lieven Volckaert.

How has the workforce evolved?

The erosion of middle-wage jobs and income stagnation in the past few decades has been in jarring contrast to the period from 1940 to 1970, when median family income in metro Buffalo tripled from around \$20,000 to \$60,000 (in 2008 dollars). That period had a major influence on family structure, lifestyle and, notably, the expectations of future generations.

Many factors contributed to the remarkable post-war income growth and the strong manufacturing base that gave it fuel. One was American dominance in worldwide manufacturing in the years immediately after World War II, a time when the ruined factories of Europe and Japan were only beginning to rebuild—many of them doing so with American assistance and materials. Spending on Cold War defense, the space race, massive infrastructure programs and the general expansion of consumerism—spurred by good wages and exemplified by rising homeownership—all kept factories humming and hiring. As late as 1970, over one-third of metro Buffalo's workers were employed in the manufacturing sector. It was an extraordinary period of expansion in America, and one felt most keenly in Buffalo and the nation's other major manufacturing regions.

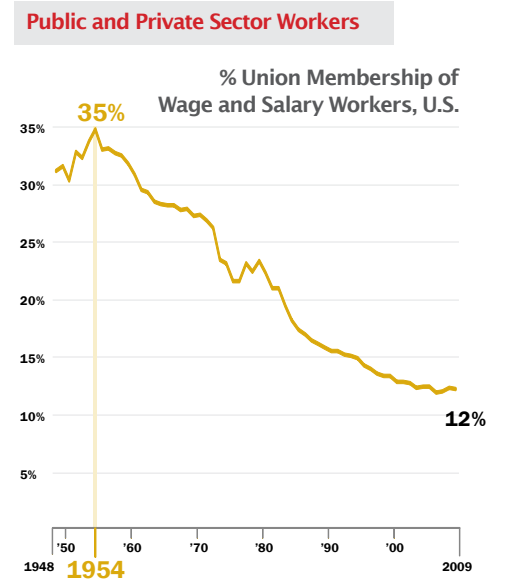
Labor pressures also contributed to higher incomes. The Immigration Act of 1924 essentially closed the spigot on immigration from southern and eastern Europe, impeding the influx of Poles, Italians and others into the region and slowing the expansion of the labor market. After World War II, the demand for labor and the constrained supply, and the growing labor movement all coalesced to send wages upward. African-Americans from the rural South and Puerto Ricans joined the region's labor force in large numbers around this time. Discriminatory hiring practices and the eventual drop in factory jobs severely limited their participation in the post-war prosperity—one cause of the region's sharply uneven distribution of wealth and poverty.

Since 1970, family and household incomes have remained flat, despite steady and impressive gains in education and the growth of the female labor force to supplement or dominate family earnings. The loss of manufacturing jobs—many of which offered good pay and benefits to workers without much education—has been central to this flattening, as many

factories and entire industries relocated to newer facilities with lower operating costs in other parts of the world. Meanwhile, gains in productivity have allowed remaining industries to operate with far fewer workers.

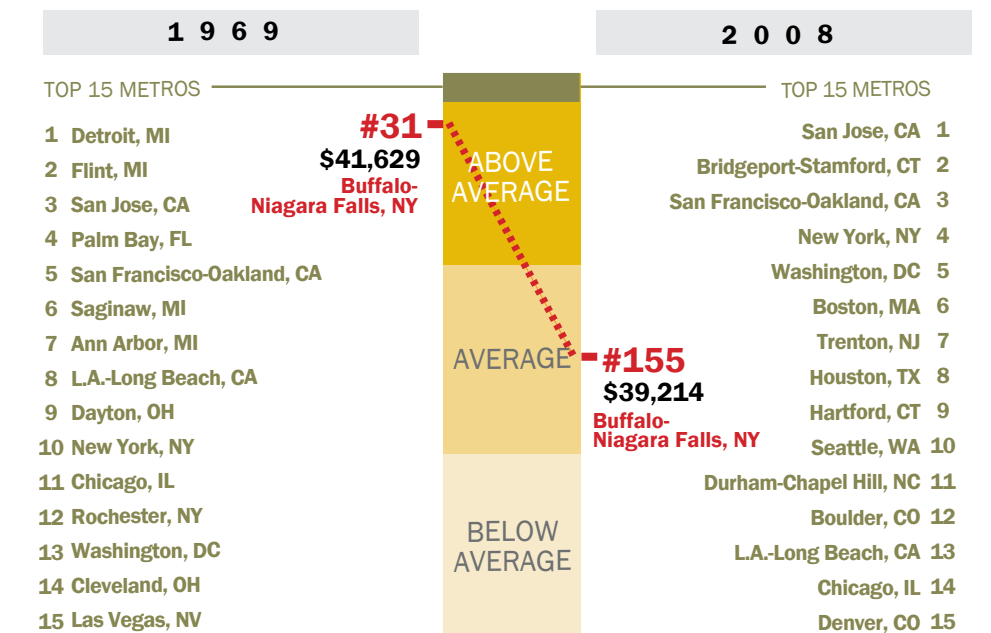
As both cause and reflection of the changing economy and wage structures, the percentage of workers represented by labor unions dropped steadily since the 1950s, from a national high of 35 percent to a current level of 12 percent. Unionization levels in the Buffalo Niagara region have mirrored national trends, particularly as manufacturing jobs have fallen.⁷ Yet the region's unionization levels are consistently above national averages. Metro Buffalo's 17 percent unionization rate in 2009 for private sector workers was more than two times the 7 percent private sector unionization rate for the nation.

The loss of manufacturing jobs has had a clear effect on the relative wealth of Buffalo and other regions that were once heavily dependent on factory jobs. In 1969, metro Buffalo ranked 31st in average wage per job among the 363 metropolitan areas in the contiguous U.S.⁸ Near the top of the list, at the time, were the likes of Detroit, Flint, Saginaw, Dayton, Rochester and Cleveland—all with heavy concentrations of manufacturing jobs in one or more industries. By 2008, Buffalo fell to 155th in the same ranking, with many of its peers also slipping down the list.



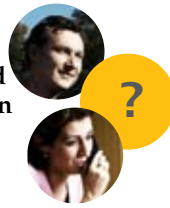
Private Sector Workers		
	1986	2009
U.S.	14%	7%
Metro Buffalo	26%	17%

Ranking of 363 Metros by Average Wage per Job, 1969 vs. 2008⁸



What are the options for low-wage workers today?

Steve and Sarah are getting by on two paychecks, but living close to the economic edge. Their household income affords basic living expenses but offers nothing extra for savings or getting ahead. An unforeseen job loss, family illness or major household expense would cause a fiscal tailspin, forcing them to live on credit and jeopardizing their fragile housing, child care and transportation arrangements.



Multiply Steve and Sarah by the tens of thousands of the region's other low-wage workers, fold in significant shifts over the past three generations—decline of mid-wage jobs, a waning private safety net, the squeeze on nonprofits and government from higher needs and fewer resources, popular sentiment demanding fiscal austerity—and the region has a formidable low-wage dilemma.

In crafting steps forward, no single ideology or actor holds all the cards and all plays have tradeoffs. Ideally, responses would reflect a common regional vision. Yet policy debates and community discussions reveal wide differences over how to address the low-wage challenge. A sound starting point is to acknowledge that economic insecurity affects us all and the

responsibility for alleviating its burden must be shared.

For **individuals** such as Steve and Sarah, it makes sense to secure social and economic supports to navigate this insecure period. Finding the time or money to return to school for vocational training or bachelor's degrees may seem impossible. But sacrificing now could help them pursue education and training, crucial to positioning themselves to thrive in the new economy. Of course, belt-tightening inevitably squeezes others—restaurant owners, movie ticket takers, hairdressers—who count on consumers for their livelihood.

For **government's** part, with the ladder of socioeconomic mobility slipperier than it's been in generations, it's essential to design a safety net that puts as much emphasis on preventing

families from falling into poverty as catching those who do fall. Many public programs—living wage mandates and subsidies for child care, utilities, health care, transportation—already serve this function by lessening burdens that might otherwise drive a stable family into chaos.

Program eligibility standards should be reassessed to ensure that fixed or outdated thresholds do not disqualify families that would significantly benefit from these programs. Sliding scales rather than income cut-offs are essential as are pro-work policies that reward rather than penalize income. Households earning one dollar above an income threshold have a perverse incentive to drop off a private payroll and roll onto public support.

Getting the balance right is critical: there is neither rationale nor resources for long-term dependency on government aid.

Employers benefit themselves and the region by recognizing the broad value of a well-paid workforce. The concept that a company must "pay its workers enough to buy its products" connects a healthy workforce to a healthy company and healthy region. Good wages and benefits enable low-wage workers to sustain their household without public assistance and send more dollars into the economy.

The fear that living wage employers will hire fewer workers is challenged by research finding that firms generally absorb higher labor costs without eliminating jobs, with costs partially offset by reduced absenteeism and higher employee morale and productivity.⁹ Still, there are tradeoffs. Paying living wages

lowers profits for some firms. For some others, employers demand higher-skilled and full-time workers at living wage rates, reducing jobs for lower-skilled and part-time workers.⁹

Employers may also offer in-kind supports, such as flexible scheduling to accommodate family care responsibilities, learn-while-you-work policies promoting career development, and fair labor practices including overtime on a volunteer basis only. Low-wage workers in certain sectors, including retail, hospitality, manual labor, personal care and household work, are especially vulnerable to unjust work practices.

Civic organizations can alleviate low-wage worker challenges by increasing the accessibility, affordability and cross-agency coordination of a wide range of support services, from afterschool programming to job training. Educational institutions may redouble efforts to accommodate non-traditional students and greatly expand distance learning opportunities for students with children. Of

course, directing more energy and resources into low-wage worker programs presents opportunity costs for other pressing priorities.

All individuals and groups might alleviate pressure by adjusting their expectations. The virtue of homeownership, the guarantees of a college education and the possibility of perpetual income growth are standards that have shaped our actions. Meeting the challenges of a new economic era requires new expectations and assumptions—not a surrender of basic principles, but a reassessment of what progress means.

Where the private safety net has largely disappeared, the civic safety net is stretched thin and the public safety net is under siege, playing a smart hand of shared sacrifice and responsibility offers the best chance for regional and household economic stability.

INDIVIDUALS
TIGHTEN BELT
Downsize housing
Put off transportation and entertainment extras

INVEST IN EDUCATION
Pursue training for career advancement
Earn certificate or degree in higher-wage field

SECURE SAFETY NET SUPPORTS, e.g.:
Earned Income Tax Credit
Home Energy Assistance Program (HEAP)
NYS Child Health Plus

GOVERNMENT
BUILD A SECURE, FISCALLY SUSTAINABLE SAFETY NET

Provide temporary assistance with sensible and fair eligibility standards

Reinforce a preventive safety net with incentives and sliding scales

Support living wages and pro-work policies

EMPLOYERS
RECOGNIZE ECONOMIC VALUE OF SECURE WORKFORCE

Provide good wages and benefits

Support flexible scheduling

Offer employee tuition support toward new degrees or certificates

Follow fair labor practices

CIVIC ORGANIZATIONS
SUPPORT HIGHER EDUCATION FOR NON-TRADITIONAL STUDENTS

Expand distance learning

Schedule courses at non-traditional times

Provide on-site child care for student-parents

REINFORCE SUPPORT NEEDS OF LOW-WAGE WORKERS

Provide job training

Offer child and adult care options

Facilitate social assistance

Data Sources and Notes

¹Occupational Employment Statistics, U.S. Bureau of Labor Statistics. Data for the eight county Western New York region, updated to the second quarter of 2009. Retrieved December 2009 from New York State Department of Labor at <http://www.labor.state.ny.us/stats/lswage2.asp>.

²U.S. Department of Health and Human Services, 2009 Federal Poverty Guidelines, available online at <http://aspe.hhs.gov/poverty/09poverty.shtml>

³Penn State Living Wage Calculator, with estimated living wages by county and household type, available online at <http://www.livingwage.geog.psu.edu>. Living wage refers to estimated wage required to meet basic needs.

⁴American Community Survey, U.S. Census Bureau. One-year estimates, 2008, for metro Buffalo (Erie and Niagara Counties).

⁵Analysis of archived Occupational Employment Statistics data from May 2004 and May 2008 for metro Buffalo (Erie and Niagara Counties) and the U.S., at http://www.bls.gov/oes/oes_arch.htm. Wage categories reflect average annual wage by occupation, in constant 2008 dollars. Year-to-year comparisons using OES data are not always possible due to sometimes wide differences in the number of occupations with available data. Although not a matched sample of the same businesses over time, 2004 and 2008 were relatively similar years, with 546 occupations in the May 2004 dataset and 547 occupations in the May 2008 dataset.

⁶Decennial Census and 2008 American Community Survey, U.S. Census Bureau, for metro Buffalo (Erie and Niagara Counties). Notes: Median Family Income data are inflation adjusted to 2008 dollar values. Median family income for 1940 is an estimate based on wage categories presented in the 1940 Census. Median Family Income for 1930 and 1934 are backward estimates based on national income fluctuations during the 1930s. Homeownership rate in 1930 is based on numbers for the City of Buffalo, only, with metro numbers unavailable. Female Labor Force Participation Rate for 1944, showing a wartime spike, is based on estimates by Mary M. Schweitzer in "World War II and Female Labor Force Participation Rates," in *The Journal of Economic History* (v.40, n.1, p.89).

⁷Union affiliation data for 1948 through 2003 is from Gerald Mayer's *Union Membership Trends in the United States*, Congressional Research Service, Library of Congress, 2004. National rates for 2004 through 2009 are from the U.S. Department of Labor, Bureau of Labor Statistics. Private sector union levels are from Barry Hirsch and David Macpherson's *Union Membership and Coverage Database* (unionstats.com).

⁸U.S. Bureau of Economic Analysis, Regional Economic Accounts. Ranking of the 363 metropolitan areas in the contiguous U.S. by average wage per job in 1969 and 2008. Average wage figure for 1969 is adjusted to 2008 dollar value to account for inflation.

⁹See articles in the *Journal of Industrial Relations*, Vol. 44, No. 1 (2005), edited by David Fairris and Michael Reich; also see Jeff Chapman and Jeff Thompson, "The Economic Impact of Living Wage Laws," *Economic Policy Institute Paper #170* (2006), available online at <http://www.epi.org/publications/entry/bp170/>.

This policy brief benefited from review of "Poverty-Level Work in Western New York," a November 2008 white paper by Sam Magavern, co-director of the Partnership for the Public Good and a clinical instructor at the University at Buffalo Law School.


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What are the prospects for Western New York's low-wage workers?

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