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What Kind of Labor Market Awaits Low-Income Workers?

Françoise Carré

This essay highlights changes in the context of the labor market for low-income people, particularly mothers. It briefly reviews labor market trends and policies. It then highlights the challenges faced by such workers. The essay argues for a shift in thinking and policy advocacy to encompass the world of work, and its domination by business imperatives and language, and thus better represent poor people's concerns in the policy world.

A set of stylized facts continues to drive the understanding of researchers and policy analysts regarding the situation of low-income people in the labor market. The low-income population has been described as being confined during their work careers to low-pay jobs, in low-pay occupations and/or industries, and with limited opportunities to overcome this confinement. This limitation is explained by structural barriers such as the job characteristics, lack of career ladders, spatial “mismatch” (geographic distance between poor neighborhoods and the location of entry-level jobs), racial/ethnic and gender discrimination in job access and promotion, as well as racial or gender segregation of jobs. In turn, these factors result in limited work experience and greater incidence of unemployment among low-income workers. The situation of low-income people in the labor market is also explained by poor people's low education level, whether because education translates into job skills rewarded by the market (human capital) or because education signals the ability to learn and perform a job (hard as well as soft skills) and serves as a means to sort workers in the job queue. Depending upon their school of thought, analysts give more or less weight to structural versus human capital characteristics.

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Recent Trends

Two broad trends have shaped the experience of low-income people in the labor market in recent years: the implementation of welfare reform and the transformation of entry-level jobs. The implementation of welfare reform at both federal and state levels has meant the end of entitlement to income support for poor mothers (occasionally fathers) and the new requirement to work or perform community service in exchange for receipt of income supports and other safety net benefits. Welfare reform has transformed the world of poor people, particularly of mothers with school-age children. Additionally, welfare reform has compelled poverty researchers and advocates to shift their focus from social policy (benefit provision) to employment-related policy. The liabilities and risks of welfare reform for individuals and families are well documented. From the policy analysis standpoint, rare benefits of this significant shift include the end of “conflict” between the needs and demands of low-wage workers as a group and those of welfare recipients. Benefits also include increasing visibility of the untenable situation of parents, mothers in particular, in low-income jobs that offer little or no flexibility to accommodate family and community responsibilities. The fact that mothers in full-time, low-wage jobs are unable to support themselves and their children may serve as a useful argument for the policy analyst who would change current policy.

Additionally, there have been significant changes in the labor market for all low-income workers, but for those exiting public assistance in particular, who now encounter a labor market whose structural changes have consequences that can be detrimental, a labor market that is riskier and potentially hurtful. First, there appears to have been more “labor market churning,” more job destruction and individual job changes in the past twenty years than in previous decades.¹ In and of itself, labor market churning could be neutral for low-income workers. But churning has been accompanied by the fairly steady decline of manufacturing jobs, historically the pathway to decent living standards for workers with high school or lower education levels.

Second, within firms, entry-level jobs are less likely than in the past to be connected to “career ladders” (identifiable paths of wage progression, skill training, and promotion). Increasingly, entry-level jobs are “externalized,” that is, subcontracted, or with hiring taking place through a third party (staffing company) or through an explicitly short-term employment arrangement.² This trend has particularly severe implications for low-income workers, those with limited education, and those with limited labor market experience.³ The ability to build earning power through work experience and seniority is no longer a straightforward matter. Evidence for these trends is indirect but also compelling. We see the growth of nonstandard work arrangements, for example.⁴ The services of the staffing industry are increasingly used to hire entry-level workers for extended probationary periods enabling companies to “screen” potential job candidates.

A third trend also has direct impact on low-income workers. Wage inequality has increased over the past twenty years across the overall wage structure, *between as well as within* most industry, occupation, and demographic groups.⁵ Wages at the high end of the distribution have increased significantly in real terms while those at the bottom and near bottom of the wage distribution have stagnated, even declined, in real terms. These trends do not bode well for workers entering, or re-entering, the labor market.

A fourth set of trends with consequences for all workers but particularly low-income workers is the rapid decline of health insurance coverage and the stagnant rate of pension coverage. For private sector workers in the lowest fifth of the wage distribution, health insurance coverage declined from 40.7 percent in 1979 to 33.4 percent in 2000.⁶ Also, the availability of employer-provided pensions to private sector low-wage workers, already low, has slightly declined. Eighteen percent of private sector workers in the lowest fifth of the wage distribution had employer-sponsored pension coverage in 2000 as compared to 19.5 percent in 1979.⁷ Thus, with welfare reform and cuts in other public income supports, mothers (and some fathers) are entering or re-entering the labor market at a time when the system of employer-based benefit provision is under pressure. Furthermore, available public subsidies for health care and child care are threatened because, even if funding is increased by the states, the need has increased.

While there is debate about what factors are most influential in worsening the position of low-income, particularly entry-level, workers, there is general agreement that economic pressures on employers have combined with changes in the institutional environment to worsen the relative position of these workers. Changes in the regulatory environment include a declining real value of the minimum wage, decline of union power, and deregulation of key industries. Also, innovations in information technology have been used to automate routine tasks.⁷ These trends have taken place against a backdrop of limited improvements (or decline) in schools in low-income areas as well as continued and growing disparities in resources among school districts.

Consequences

Thus, growing numbers of workers are re-entering the labor market, most likely at the bottom of the wage scale, at a time when entry-level jobs are of declining quality with stagnant or declining real wages, reduced attachment to career ladders, less generous employer-sponsored benefit provision, and so on. Also, as will be demonstrated by other essays in this volume, current policy, including the progressive phasing out of safety net benefits as earnings increase, diminishes the total income of workers who transition from public assistance. These trends demand new thinking. As the research, policy, and advocacy communities contend with the shifts in antipoverty policy, a significant shift in conceptual categories and policy analysis will also need to take

place. Historically, those concerned with social policy in general, and welfare policy in particular, have conceived of policy as seeking to lift “families” out of poverty. Welfare (AFDC/TANF), in particular, was income support for children and, accessorially, the parent raising them. (State general relief programs, however, did support lone adults.) Hence, the unit of analysis and advocacy has been the family, mainly its dependent members.

In the current situation, with its emphasis on time limits for income support, and work mandates, analysts and advocates have experienced a shift in the focus of policy debates. As in all transitions, however, there remain mismatches between thinking and reality, vocabulary and fact. In the social policy world, “work” (employment and work experience) has been primarily seen as a means to lift families out of poverty (which it no doubt should be). In the current situation, work and employment as well as policies to support employment, are still seen in this light primarily. A job helps the “family.” And the role of policy is to help “families” hold onto income generating jobs through the head of household. In the world of work, however, and in the eyes of employers in particular, a job is held by an individual, whose family, and community obligations and other personal commitments are irrelevant. Perhaps more than any industrialized country, the U.S. workplace is inured to the social context for people’s work and is least regulated by mandates for family leave, child care subsidies, and so on. Thus, poor people, many of whom are women with children, find themselves in jobs that are the least flexible and where they must contend with employers who do *not* see them as tending to a family.⁹

For policy analysts and advocates, the job of advocating for “employment supports” has become more complex. They must advocate for policy supports in a time of huge budget deficits and increased demands on diminishing public resources as well as for accommodation by employers and industry associations that are disinclined to see their employees as part of a family constellation and community network. In some states, innovative and committed welfare office and career center administrators have worked on “service integration,” facilitating concurrent access to employment services and social benefits (for example, EITC, subsidized childcare and other employment supports.)¹⁰ These efforts, though constructive and successful, go only part of the way toward addressing the challenges people face in low-wage jobs because they leave the structure of these jobs, personnel policies, and supervisors’ attitudes unchanged and unquestioned. Needless to say, this shift in thinking is required but not sufficient to achieve changes in universal policies that set the context for employment. These include defining and implementing universal access to a broad range of supports including child care, health insurance, retirement income, labor standards and workplace rights, affordable housing, and transportation, among others.☘

Notes

1. Peter Cappelli et al., *Change at Work* (New York: Oxford University Press, 1997).
2. Françoise Carré et al., Susan Houseman and Machiko Osawa, eds., *Nonstandard Work: The Nature and Challenges of Changing Employment Relationships* (Champaign, Ill.: Industrial Relations Research Association/Cornell University Press, 2000). Susan Housman, "Why Employers Use Flexible Staffing Arrangements: Evidence from an Establishment Survey," *Industrial and Labor Relations Review* 55, no. 1 (October 2001):149-170.
3. Harry Holzer, *What Employers Want* (New York: Russell Sage Foundation, 1996)
4. Carré, *Nonstandard Work*.
5. Lawrence Mishel, Jared Bernstein, and Heather Boushey. *The State of Working America 2002/2003* (Ithaca: Cornell University Press, 2003). Philip Moss and Chris Tilly *Stories Employers Tell: Race, Skill, and Hiring in America* (New York: Russell Sage Foundation, 2001).
6. Ibid., Table 2.14 at 144.
7. Ibid., Table 2.15 at 145.
8. Eileen Appelbaum et al., "Low Wage America: An Overview," in Eileen Appelbaum et al., eds. *Low Wage America: How Employers Are Reshaping Opportunity in the Workplace* (New York: Russell Sage Foundation, 2003).
9. Nancy Crouter, and Alan Booth, *Work-Family Challenges for Low-Income Parents and Their Children* (Mahwah, N.J.: Lawrence Erlbaum, 2004); Lisa Dodson et al., *Keeping Jobs and Raising Families in Low Income America: It Just Doesn't Work* (Cambridge: Radcliffe Institute for Advanced Study, Harvard University, 2002).
10. David Hague, "Purgatory of the Working Poor," *The American Prospect Magazine*. September 2004, A3-A5.

In the late 1960s, I was hired as a counselor in New Careers, a program of the community action agency in Columbus, Ohio, that combined paid work experience with college courses at Ohio State. The idea was to enable low-income adults to enter careers in public service. Years later, in 1987, I was hired as the Executive Director of WCAC, the Worcester CAA. It was never my plan to come full circle and end my professional career where I started, in community action, but here I am.

Community Action is not so much about creating a safety net as it is about building ladders out of poverty. The safety net may offer temporary refuge but it is not a destination. Ladders that offer education, employment skills, family support, child care, home ownership assistance (to name a few) ensure self-sufficiency and address the long-term causes of poverty. Participants “climb” at their own pace and toward their own goals. At WCAC I’ve been privileged to see Head Start parents become teachers, Fuel Assistance clients become Energy staff, and GED graduates become college students and employees in the professional offices of the city. We succeed because of the efforts of our “customers” and because of collaboration with other community action agencies, with educational institutions, and with private and public partners.

When I accepted the position as Executive Director, I knew it would not be easy. I was right. But the benefits of leading an organization that assists residents build brighter futures more than compensates for the worries about budgets, personnel, and buildings. The dedicated staff, committed board members and volunteers, MASSCAP network, and local partners have made for a very rewarding career with a very important mission.

Patsy C. Lewis

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