

Employers in the Low-Skill Labor Market



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Entry-Level and Next-Step Jobs in the Low-Skill Job Market

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Americans often perceive low-wage, low-skill jobs as “McJobs”—easily filled positions requiring little in the way of education, experience, or training. In reality, low-skill jobs are not “no skill” jobs, and the labor market for noncollege jobs—jobs that do not require a college degree—is vast and diverse.

In this brief, we use data from the 2007 Survey of Employers in the Low-Skill Labor Market—a national survey of employers that have recently filled noncollege jobs—to broaden and deepen our understanding of the diversity of this labor market (see box for more information about the survey). We distinguish between jobs that have very low requirements—entry-level jobs—and those with somewhat higher skill or education requirements—“next-step” jobs. We then explore the differences between entry-level and next-step jobs in compensation, activities and tasks performed on the job, the types of employers filling entry-level versus next-step jobs, and how employers fill these jobs. This deeper understanding of the noncollege labor market will help researchers and policymakers identify the jobs that are most

promising for the least skilled labor-market entrants, the skills and experience needed for next-step jobs, and the factors that help workers with the necessary skills and experience land next-step jobs.

What Are Entry-Level and Next-Step Jobs?

Our survey data identify three key criteria for noncollege jobs: a high school diploma, prior job-specific experience, and specific skills training in a related area. We asked employers whether each potential requirement was extremely important, somewhat important, or not very important when filling their most recent opening for a noncollege job. If an employer deemed any one of these three potential requirements extremely important, we considered that job a next-step job; we classified all jobs for which none of three criteria were extremely important as entry-level jobs. Overall, among all recently filled noncollege jobs, about 30 percent are entry-level jobs with very low requirements and about 70 percent are next-step jobs for which at least one of the three criteria is extremely important to employers.

Only 3 in 10 non-college jobs are available to those without high school degrees, relevant skills training, or prior experience.

The Survey of Employers in the Low-Skill Labor Market is a national survey of employers with low-skill jobs. Firms with four or more employees that had hired a worker into a job that did not require a college degree within the past two years were surveyed, representing about 2.1 million employers. Data were collected in spring and summer 2007, with a final sample of 1,060 employers and a response rate of 54 percent. The data in this brief are weighted to represent the job opportunities for workers in the low-wage labor market.

Wages and Benefits of Entry-Level and Next-Step Jobs

Workers with little experience or specific skills face a job pool that offers much lower wages and fewer benefits than jobs that do not require a college degree but do require a high school diploma, some job-related experience, or specific skills. The average wage rate for entry-level jobs, \$9.25, is significantly lower than the \$13.85 average wage for next-step jobs (table 1). Even relatively high-paying entry-level jobs pay less than the average next-step job. For example, the 75th percentile of entry-level job wages (that is, the wage level where 75 percent of entry-level jobs have lower wages) is \$10.64. Next-step jobs at the 75th percentile pay \$17.00 an hour—just below the 50th percentile wage for all workers in the economy (\$17.51 an hour, seasonally adjusted, in August 2007).¹ Lower wages may in part reflect that more of these jobs are part time. More than 35 percent of entry-level jobs require less than 35 hours a week, compared with only 13 percent of next-step jobs.

Substantially fewer entry-level jobs offer benefits than next-step jobs. Only 45 percent of recently filled entry-level jobs

offered health insurance, compared with 80 percent of next-step jobs.² In addition, less than half of entry-level jobs offer some form of pension coverage, compared with nearly three-quarters of next-step jobs. These lower levels of benefits are at least partially because of the large share of part-time entry-level jobs.

Workers in entry-level jobs are also less able to take flexible leave in the form of paid sick days or personal days: 37 percent, compared with 62 percent of workers in next-step jobs. A higher percentage of workers has paid vacation days (which can include paid holidays), but the difference between entry-level and next-step jobs is still significant. Finally, less than a third of workers in entry-level jobs are able to take paid time off to care for sick family members, compared with almost two-thirds of next-step workers. This lack of job flexibility may affect the well-being of workers in these jobs, as well as the well-being of their families. Further, it may hinder job and worker retention.

Characteristics of Entry-Level Jobs

Part of the reason entry-level jobs pay less than next-step jobs is that, by definition,

TABLE 1. Wage and Benefits of Recently Filled Noncollege Jobs

	Entry-level jobs	Next-step jobs
Hourly wage (\$)		
Average	9.25	13.85*
25th percentile	7.15	9.75
50th percentile	8.50	12.75
75th percentile	10.64	17.00
Usual hours a week (%)		
< 35 hours	35.3	13.4*
35 or more hours	64.7	86.6*
Percent of jobs with benefits		
Health insurance or HMO ^a	45.1	80.2*
Pension or 401(k)	42.3	73.5*
Paid personal days or sick leave	36.8	62.0*
Paid vacation	50.0	71.5*
Paid time off to care for sick family member	31.2	64.9*

Source: Authors' calculations from the Survey of Employers in the Low-Skill Labor Market.

^a Percent of jobs where worker was offered health insurance or HMO coverage.

* Difference between entry-level and next-step jobs is statistically significant at the $p < .10$ level. Differences in wage percentiles are not tested.

they require less experience, less education, and fewer job skills. Workers in entry-level jobs also perform different tasks at work than those in next-step jobs. Further, compared with next-step jobs, entry-level jobs are concentrated among smaller employers, in different industries, and in different locations.

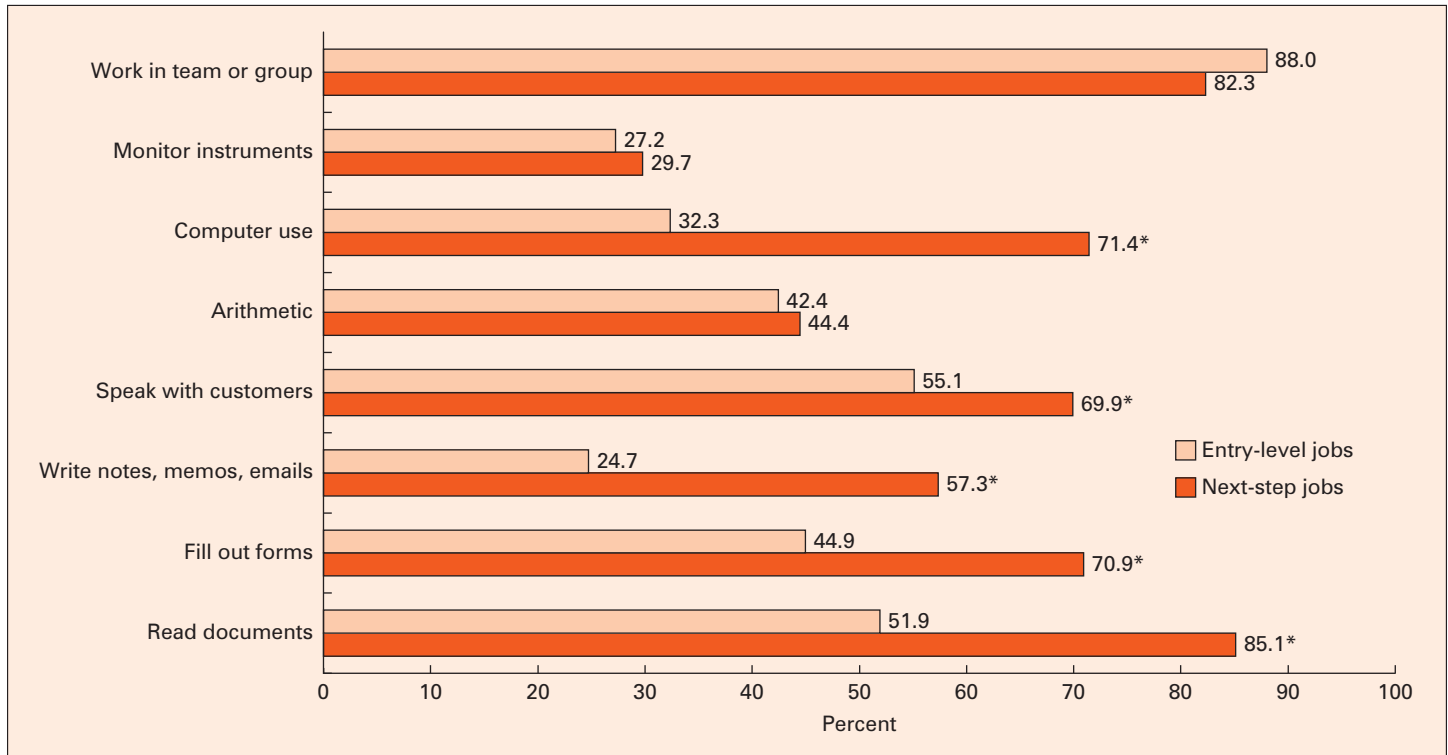
Figure 1 shows the percentage of entry-level and next-step jobs for which a worker performs various tasks daily.³ Entry-level jobs are less likely to entail reading documents, filling out forms or other writing, using a computer, or speaking with customers daily. There is no difference in using arithmetic or monitoring instruments. Grouping the bottom six tasks in the figure together as “cognitive” tasks, 75 percent of entry-level jobs entail daily performance of at least one cognitive task; in contrast, 94 percent of next-step jobs make daily use of a cognitive task. Among the cognitive tasks, the only one performed daily by more than half of those in entry-level jobs is reading documents (52 percent). In contrast, 85 percent of those in next-step jobs must read documents daily,

and over 70 percent must fill out forms and use a computer.

Given these differences in tasks, it is not surprising that the occupational categories of entry-level jobs also differ from next-step jobs (table 2). Entry-level jobs are more likely to be in service or in construction, production, and installation occupations,⁴ while next-step jobs are more likely to be managerial and professional or office and administrative jobs. These differences suggest the greater use of supervisory skills in next-step jobs than entry-level jobs.

The types of businesses hiring for entry-level jobs versus next-step jobs also differ. Entry-level jobs are more likely than next-step jobs to be with small employers. Less than half of entry-level jobs (44 percent) are in businesses with more than 100 employees, compared with 58 percent of next-step jobs. Entry-level jobs are disproportionately in rural locations (18 percent) compared with next-step jobs (13 percent), although the vast majority of both types of jobs are in urban areas. Finally, the types of industries entry-level jobs are found in do not differ significantly from

FIGURE 1. Percent of Recently Filled Noncollege Jobs Requiring Daily Performance of Tasks, by Job Type



Source: Authors' calculations from the Survey of Employers in the Low-Skill Labor Market.

* Difference between entry-level and next-step jobs is statistically significant at the $p < .10$ level.

TABLE 2. Characteristics of Recently Filled Noncollege Jobs (percent)

	Entry-level jobs	Next-step jobs
Jobs in occupation		
Manager/professional	1.2	6.9*
Services	36.8	17.4*
Sales	8.9	11.3*
Office and administrative	14.0	41.9*
Construction/production/installation	39.0	22.2*
Other	0.1	0.2
Firm size more than 100	43.6	57.8*
Rural location	18.0	12.6*
Jobs in industry		
Construction	7.8	7.8
Manufacturing	16.5	17.2
Retail trade	19.7	19.6
Health services	12.6	12.5
Other services	26.4	26.8
Other	17.1	16.1

Source: Authors' calculations from the Survey of Employers in the Low-Skill Labor Market.

*Difference between entry-level and next-step jobs is statistically significant at the $p < .10$ level.

those in which next-step jobs are found. Both entry-level and next-step jobs are about equally likely to be found in the services, retail trade, construction, or manufacturing industries.

Hiring for Entry-Level versus Next-Step Jobs

Employers use different methods to fill entry-level jobs than next-step jobs (figure 2). Employers filling entry-level jobs are about equally likely to fill these through a referral, an advertisement, or a worker walking in without a reference and filling out an application. Next-step jobs are most likely to be filled through an advertisement. The share of entry-level jobs filled through advertisements (30 percent) is significantly lower than the share of next-step jobs (53 percent). Conversely, referrals and walk-ins are less likely used to fill next-step jobs than entry-level jobs. A relatively small percentage of both types of jobs are filled using public or private agencies. Next-step jobs are more likely to use private or temporary agencies (8 percent) than entry-level jobs are (3 percent). Given lower wage levels of entry-level jobs, this could reflect firms wanting to expend

fewer resources in filling entry-level jobs. Advertising and private agencies both require greater expenditures than referrals or walk-ins.

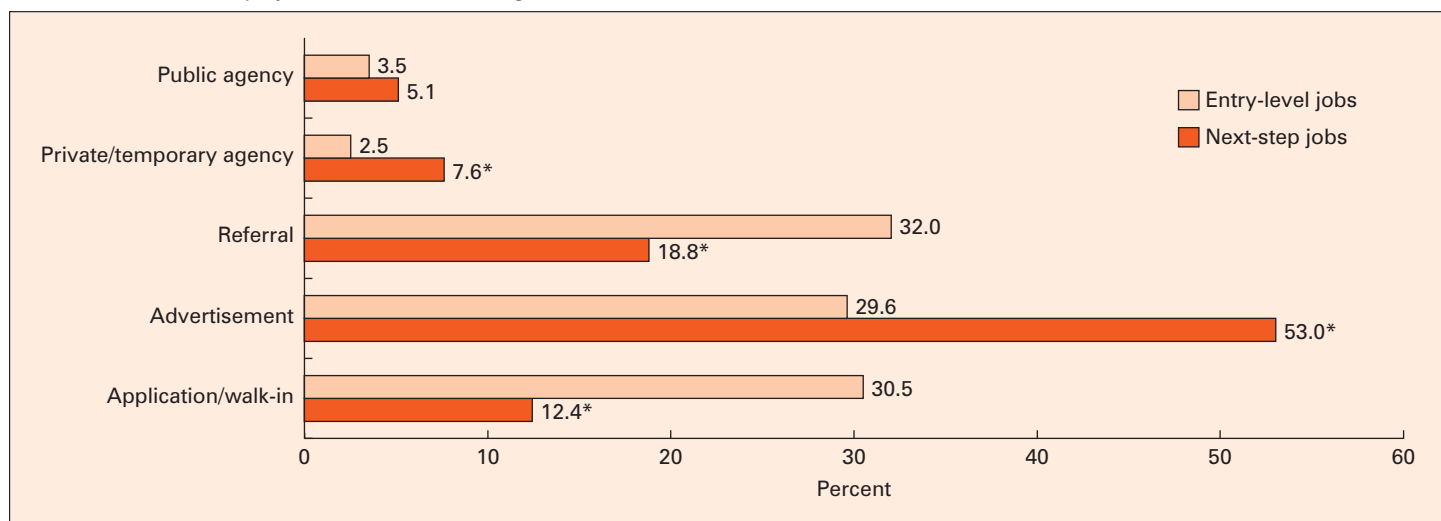
In addition, employers are more likely to require drug tests (45 percent) or criminal background checks (55 percent) for next-step jobs than for entry-level jobs (33 and 36 percent, respectively). This may also reflect investment of resources in hiring or potentially the specific requirements of the jobs.

Employers find it easier to fill entry-level noncollege jobs than next-step jobs. A significantly higher percentage of entry-level employers (30 percent) reports it is easy for them to find workers to hire, compared with 17 percent of next-step employers. The greater challenge in filling next-step jobs compared with entry-level jobs is consistent with the higher wages seen in next-step jobs and suggests that workers with greater skills and experience, even without college educations, are in greater demand than those with more limited skills.

Summary

Even in the noncollege labor market, job requirements and benefits differ substantially. Only 3 in 10 jobs are truly available

FIGURE 2. Method Employers Use to Fill Noncollege Jobs



Source: Authors' calculations from the Survey of Employers in the Low-Skill Labor Market.

*Difference between entry-level and next-step jobs is statistically significant at the $p < .10$ level.

to those without high school degrees, relevant skills training, or prior experience. These entry-level jobs pay less than \$10 an hour on average. Compared with next-step jobs—those that do not require a college degree but do require a high school diploma, job-related experience, or specific skill training—entry-level jobs are less likely to offer health insurance, a pension plan, and paid leave benefits and are more likely to be with smaller employers and in rural areas. Although entry-level jobs are spread across industries, they are more likely to be in service and construction/production occupations than in managerial, office, or administrative occupations.

Employers do not spend the same resources trying to fill these entry-level jobs as they do for next-step jobs, in part because these jobs pay less and in part because it is easier to find applicants. Employers are less likely to advertise entry-level positions and less likely to screen workers through testing and criminal background checks. They are also less likely to fill these jobs through public or private job placement agencies.

This research suggests that there is clearly room for entry-level workers to move up to better jobs even without earning a college degree. To move into next-step jobs, workers need to have high school degrees, some specific skills training, or prior work experience. Given that next-step


jobs more frequently involve such cognitive skills as reading, writing, and using a computer, ensuring that noncollege job seekers can perform these tasks is essential. Public and private employment programs, including one-stop centers and workforce intermediaries who connect job seekers and businesses, can assist noncollege job seekers to reach better jobs by developing skills they need for next-step jobs and certifying this to employers.

Notes

1. U.S. Bureau of Labor Statistics, <http://www.bls.gov/news.release/empsit.t16.htm> (accessed September 16, 2008).
2. The percentage of employees who take up this coverage is a subset of the percentage offered health insurance. Employers were not asked whether the employee accepted an offer of coverage.
3. Employers were asked whether a worker in the recently filled job would perform each task daily, sometimes, or never. The differences between entry-level and next-step jobs across the “sometimes” and “never” categories (not shown) reflect a similar story to the reported differences in daily performance.
4. This last category also includes maintenance and repair and transportation occupations.

Additional Information

For a comprehensive review of related research and a more complete discussion of the survey and findings, see Gregory Acs and Pamela Loprest, “Understanding the Demand Side of the Low-Wage Labor Market” (Washington, DC: The Urban Institute, 2008).

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