

No Pay No Gain

The Structure and Persistence of Bad Jobs in Wisconsin

Key Findings:

- Significant numbers of Wisconsinites are locked out of family-supporting jobs
- Poverty-wage jobs are concentrated in low-paying, non-union sectors
- Workers get caught in the low-wage career trap
- Low wages are a problem throughout the state

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Wisconsin's 1990's economic boom did not pay off for everyone. Significant numbers of workers in the state are still locked out of jobs that pay family-supporting wages — not just women, but increasingly men as well. Poverty-wage jobs are an especially acute problem for blacks in the state as well as for those who stopped their education after high school.

The continuing proliferation of low-wage jobs in Wisconsin's labor market helps to explain why, even after several years of strong economic growth at the end of the 1990s, the median Wisconsinite is just slightly better off than almost a quarter century ago. It also helps to explain the rising income inequality that we documented in our recent report "Pulling Apart: Wisconsin's Strong 1990's Growth Masked Growing Inequality."

In addition to documenting recent trends in poverty-wage jobs, we also document factors that make for bad job quality: the strong growth of low-wage service industries; lack of access to full-time work; the large number of entry-level, non-unionized jobs; and the fact that low-wage jobs often "trap" workers and lead to low-wage careers.

Understanding these realities helps contribute to the formation of a policy agenda to improve job quality. Policy makers at all levels — elected officials, economic development experts, family advocates, and community leaders — should consider these trends so that we can begin to improve the quality, rather than just the quantity of jobs in Wisconsin.

Defining Poverty-Wage Jobs

We define **poverty-wage jobs** as those jobs paying a wage that is insufficient to lift even a full-time (40 hours a week), year-round (52 weeks a year) worker to the poverty line for a family of four with two children. In 2001 dollars, the "poverty wage" was \$8.63 an hour or less; if someone worked full-time for the entire year at this wage, their annual earnings would be \$17,950.

Of course, this definition of "poverty wage" is somewhat arbitrary. We could have chosen the poverty line for a family of two, or five, or some other wage level entirely. And not all workers who earn "poverty wages" are actually living in poverty. They may be part of a household or family that has other earners on whom they can rely for support. Most important, our interest here is to track the quality of jobs being generated in Wisconsin, and no one would call less than \$8.63 per hour a "good job."

The Growth in Poverty-Wage Jobs

Table 1 shows the trend in poverty-wage employment in Wisconsin over time. In 1979, one in five Wisconsin workers (21 percent) worked in a poverty-wage job. Over the next decade, this number increased significantly, to almost one in three workers (30 percent) by 1989. The 1990s then brought a reversal of this decline in job quality. Poverty-wage employment has receded, especially in the last several years, dropping back to 20.6 percent of all jobs in the state in 2001. As with median wages, the last several years have boosted the standing of workers at the bottom of the labor market and job quality appears to be improving for some; however, the increase in poverty-wage employment between 2000 and 2001 suggests that this positive trend may be reaching an end.

Focusing only on this aggregate trend is very misleading, however. When we break it down for different groups, we find that many workers have, in fact, not benefited from the reduction in poverty-wage jobs.

We start with key race and sex groups in Table 1. Among the four groups, only white women have seen a decline in poverty-wage jobs over time, down from 35 percent in 1979 to 26 percent in 2001. This is, of course, a very encouraging trend, but clearly there is still a long way to go. Even with these substantial declines, more than one-in-four white women in Wisconsin currently earn poverty wages. Additionally, white women are still much more likely to hold poverty-wage jobs than white men; but while in 1979 they were 3.5 times more likely to hold such jobs, in 2001 they were just 2.4 times as likely. This mirrors the decline in the gender gap in median wages documented in the previous chapter; white women are making progress relative to white men.

Table 1
Share of Wisconsin Workers Earning Poverty Wages, and Percent Changes in Last Two Decades

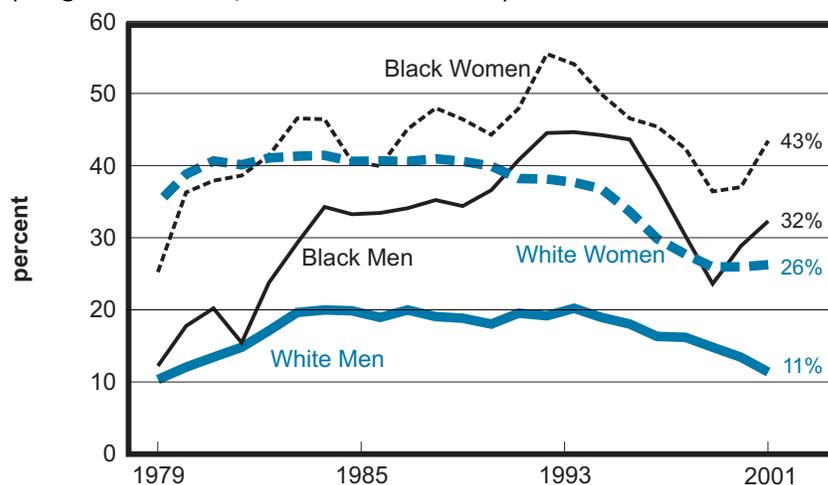
(wages less than \$8.63/hr., 2001 dollars)

	Share Earning Poverty Wages				Percent Change	
	1979	1989	2000	2001	1979-2001	1989-2001
All Workers	20.8	30.1	19.5	20.6	-0.8	-31.4
White Men	10.0	19.3	12.0	11.1	10.7	-42.6
Black Men	11.9	28.4	24.0	32.2	169.7	13.3
White Women	34.7	40.5	24.3	26.0	-25.1	-35.9
Black Women	25.2	55.7	32.0	43.3	71.9	-22.2
Full-Time Workers	12.9	21.4	14.1	14.8	15.1	-30.7
No H.S. Degree	27.0	49.3	48.9	46.1	70.6	-6.6
H.S. Degree	23.4	31.1	21.4	23.8	1.9	-23.2
1-3 yrs post H.S.	22.2	36.9	20.0	22.0	-0.9	-40.4
College Graduates	6.4	11.3	6.6	6.0	-6.9	-46.8

Source: COWS Analysis, Current Population Survey, U.S. Census.

Figure 1
Share of Wisconsin Workers Earning Poverty Wages, 1979-2001

(wages less than \$8.63/hr., 2001 dollars)



Source: COWS Analysis, CPS.

For the other three groups, however, poverty-wage employment has actually increased. This is most apparent among black men, where the percent of workers with low-wage jobs has nearly tripled over the last 22 years (from 12 percent in 1979 to 32 percent in 2001). Black women show a similar trend over the same time period, with poverty-wage jobs growing from 25 to 43 percent. Figure 1 gives the full historical perspective on this trend. While the second half of the 1990s brought some relief, over the long run there has been a marked deterioration in job quality for African Americans in this state. In addition, in the last two years the positive trend of the late-90s seems to have come to an end. Currently, roughly a third of black workers do not hold jobs that pay enough to keep a family of four out of poverty.

White men are the least likely to earn poverty wages, as one might expect. In 2001, just 11 percent held a poverty-wage job. But even for this relatively privileged group, this represents an increase of ten percent over 1979, when only one in ten held such jobs.

The next entry in Table 1 focuses on trends for full-time workers only. Part-time jobs generally pay less than full-time ones, and so it might be that some of the increases in low-wage jobs documented above could simply reflect an increase in part-time employment. The table does indeed show that full-time workers earn poverty wages less frequently than the overall workforce. But distressingly, it also shows that full-time workers have actually seen a growth in poverty-wage employment, in contrast to the workforce as a whole. In 1979, just one in eight (12.9 percent) full-time Wisconsin workers earned poverty wages. In 2001, more than one in six did (14.8 percent) — an increase of 15 percent. Clearly, finding a full-time job does not guarantee a good wage in our new economy; this is a serious problem since full-time workers are generally breadwinners for their families.

Finally, less educated workers have suffered the most from the expansion of poverty-wage jobs. Table 1 shows that in 2001, close to half of high school dropouts in the state earned poverty wages, compared with slightly over one quarter in 1979. High school graduates fared somewhat better, with only a tiny increase over the past two decades. Still, in 2001 roughly one-in-four (23.8 percent) high school graduates held a poverty-wage job. This is alarming, as these two groups of workers still represent the majority of working Wisconsinites.

Workers with some college experience or a college degree fared much better, experiencing a small decline in poverty-wage jobs over the 22-year period. Still, it is worrisome that 22 percent of Wisconsin workers with some post-secondary schooling held a poverty-wage job in 2001. These are workers with Associate's Degrees, certificates, and occupation-specific training — surely indicators of solid skills. The fact that more than one in five of these workers have badly-paid jobs suggests that jobs in Wisconsin are not always rewarding residents' investments in training.

To summarize, poverty-wage jobs are an enduring reality of Wisconsin's economic landscape, accounting for one-in-five workers. Moreover, such jobs have grown significantly over the past two decades for African Americans, white men, full-time workers, and those with a high school degree or less. In order to fully appreciate the impact of this trend — and the policy solutions that will be required — we now turn to some of the factors that are correlated with low-wage employment.

What Makes for Bad Job Quality?

A full understanding of poverty-wage jobs means that we have to look beyond the fact that they don't pay well. There are systematic factors that make for low-wage employment, which can tell us a lot about the steps that Wisconsin policy makers need to take in order to solve the "bad jobs" problem. Here we document three such factors. First, low-paying service industries play a strong and expanding role in the state's economy and generate a significant portion of Wisconsin's jobs. Second, poverty-wage earners tend to work part-time, in entry-level positions, and in non-union workplaces, which, together, make work less stable and supporting a family more difficult. And third, low-wage jobs tend to trap workers in chronic instability, leading to low-wage careers over the long run.

In the following analyses, we compare two groups of Wisconsin workers: those in the already defined poverty-wage jobs and those in what we will refer to as "higher-wage jobs" (wages greater than \$8.63 per hour).

Low-Wage Service Industries

Wisconsin has historically had a strong manufacturing base, offering middle-class wages and good benefits to workers without college degrees. Like the rest of the nation, however, Wisconsin has seen a shift from manufacturing to service industries since the early 1970s. Although Wisconsin has managed to retain a larger share of manufacturing jobs than most states, the majority of its job growth has come from the service sector.

Whether this is good or bad news depends on where you end up in the service sector. At the upper end of the service sector, there are a number of industries that pay quite well. For example, in 2000 the average weekly pay in Wisconsin in both wholesale trade and finance, insurance, and real estate industries was about \$760 a week (See Table 1.2). This is comparable to the weekly pay in manufacturing (\$750) and construction (\$726). Yet there is also another side to the new economy, namely the growth of industries that have low weekly earnings, such as retail trade (\$305) and services (\$521).

From the perspective of job quality, it is important to note that these low-pay industries have grown much more rapidly than high-pay industries during the past two decades. According to data from the Wisconsin Department of Workforce Development, between 1979 and 2001 close to two-thirds (62.8 percent) of Wisconsin's net job growth of 830,000 came from retail trade and services, at the low-end of the service sector. At the same time, just one-fifth of all new jobs came from manufacturing, construction, wholesale trade, and finance, insurance and real estate — taken altogether.

With this in mind, it is hardly surprising that in 2001, poverty-wage workers were much more likely to hold jobs in the bottom of the service sector — again, retail trade, business and repair services, and personal services — as Table 2 shows. Combined, these industries accounted for almost half of all poverty-wage jobs (47 percent). By contrast, only 17 percent of higher-wage workers held jobs in these industries.

The flip side of the story is that poverty-wage workers are much less likely to hold jobs in manufacturing industries — 13 percent, as compared to 27 percent for higher-wage workers. The same finding holds for construction, transportation, and wholesale trade: these are industries which have traditionally done a much better job of providing family-supporting wages.

Table 2

Industry Distribution of Wisconsin Workers, 2001

	Workers with Poverty-Wage Jobs (wage < \$8.63/hr.)	Workers with Higher-Wage Jobs (wage > \$8.63/hr.)
Agriculture, Mining and Forestry	3.6 %	0.9 %
Construction	1.6	7.9
Manufacturing	13.2	27.2
Transportation, Communication, Utilities	2.5	7.5
Wholesale Trade	1.5	4.4
Retail Trade	31.7	10.7
FIRE	4.5	6.5
Business & Repair Services	6.8	4.0
Personal Services	8.4	2.6
Professional and Related Services	24.3	24.0
Public Administration	1.9	4.3

Source: COWS Analysis, CPS.

Hours, Unions, and Occupations

Poverty-wage workers face additional obstacles. First, they are less likely to find stable, full-time employment and instead bounce through a series of short-lived jobs. Table 3 shows that in 2001, the share of workers holding part-time jobs was almost four times higher for poverty-wage workers than for higher-wage workers (43 percent compared to 12 percent, respectively). Moreover, while our data do not have information on weeks worked during the year, other studies have shown that part-time jobs tend to be part-year jobs as well. The upshot is that access to stable, long-term jobs is a serious problem at the bottom of the wage distribution.

A second problem is that poverty-wage jobs are much less likely to be unionized — not surprising, since unions are often able to bargain for higher wages. Still, the gap in representation is striking. In 2001, only five percent of poverty-wage workers held union jobs, compared to the 20 percent unionization rate of higher-wage workers.

Finally, jobs that don't pay well tend to consist of entry-level and frontline positions. In Table 3 we see that poverty-wage workers were more likely to hold sales and service jobs than higher-wage workers (46 percent as compared to 16 percent) and less likely to be managers, professionals, and technicians (12 percent as compared to 35 percent). Note also that when poverty-wage workers do hold manufacturing-related jobs, it is usually not in the better-paid craft jobs (only four percent), but rather front-line labor jobs (19 percent).

This difference in occupations is instructive. For example, Table 2 shows that poverty-wage workers were strongly represented in professional service industries and in finance, insurance, and real estate (29 percent). These industries are typically seen as the vanguard of the service sector, filled with managers, stock brokers, and technology wizards. In truth, however, these industries tend to be stratified between a tier of high-wage jobs and a tier of low-wage jobs, such as customer service representatives — hence the presence of poverty-wage workers even in this elite niche of the service sector.

Table 3

Characteristics of Wisconsin Workers, 2001

	Workers with Poverty-Wage Jobs (wage<\$8.63/hr.)	Workers with Higher-Wage Jobs (wage>\$8.63/hr.)
Percent Working Part-time	43.4 %	12.1 %
Percent Unionized	4.9	19.7
Percent in Occupation		
Managers, Professionals, and Technicians	12.2 %	35.3 %
Sales	12.8	7.8
Clerical and Administrative Support	14.4	14.7
Services	33.6	8.2
Precision Production, Craft, and Repair	4.0	14.7
Machine Operators, Assemblers, Transporters, and Laborers	18.6	18.5
Farming, Forestry, and Fishing	4.4	0.8

Source: COWS Analysis, CPS.

Workers Get Caught in the Low-Wage Career Trap

An important part of the reality of being a low-wage worker is that it is a long-term state, and one that is very hard to get out of. We call this the 'stickiness' of low-wage jobs. For a variety of reasons, some having to do with the worker, some having to do with the jobs themselves, holding a low-wage job often means chronic cycling from one bad job to another, with little gain over a lifetime.

In Figure 2, we begin by focusing on the year 1995 finding that at that time, one in three workers (33 percent) had quarterly earnings that would put a family of four below the poverty line. We follow each of these workers to 2000 and find that 51 percent of the workers with poverty earnings in 1995 still held a poverty-earnings job in 2000. Only 12 percent of 1995 poverty earners had managed to reach the pay range of 150 to 200 percent of the poverty line. And less than 8 percent had managed to rise into what we would consider the middle class, with quarterly earnings that were twice the poverty line or more.

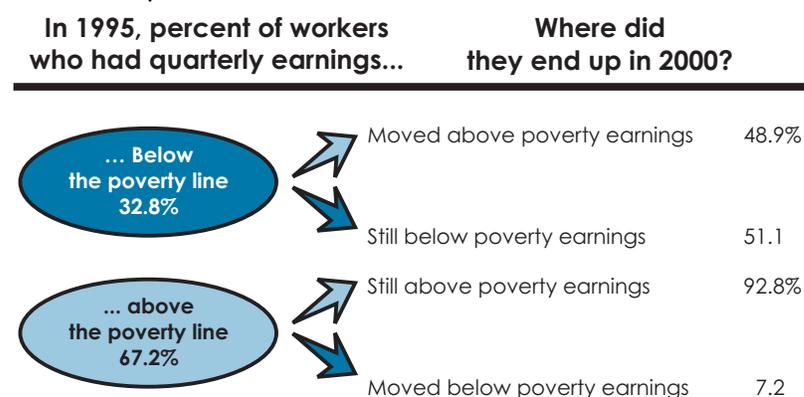
By contrast, the vast majority of Wisconsin workers who had earnings above poverty in 1995 were still above it in 2000. About one quarter (22.5 percent) was earning between 150 to 200 percent of the poverty line, and more than half (54 percent) were earning at least double the poverty line.

Thus there is a serious problem with low-wage jobs, beyond how little they pay in any given year. Over the long run, they often lead to low-wage careers.

Some might argue that this is purely a function of lack of skill. While the data set used here does not give information on education level, other research on low-wage careers has shown that skill is not the whole story. Low-wage jobs such as those in retail trade and other service industries, exert their own negative pull on workers' careers: few skills are learned, and there are few opportunities for promotion.

Figure 2

The Persistence of Low Quarterly Earnings Over Time in Wisconsin, 1995 & 2000



Source: COWS Analysis, Wisconsin Unemployment Insurance Records, 1995 & 2000.

Following Workers Over Time and by County

To analyze career trajectories in Wisconsin, we need to rely on data that lets us track workers' earnings over long periods of time. For these analyses, we rely on Wisconsin Department of Workforce Development Unemployment Insurance data files, which record quarterly earnings for individuals working in the state. The advantage of these data is that, unlike the Current Population Survey, we can follow workers over time and record any progress they make in terms of earnings. The disadvantage is that very little additional information is available. For example, we do not know the workers' sex, race, or education, nor do we know how many hours and weeks they worked in a given quarter.

Using these data, we have to track quarterly earnings rather than hourly wages. But we define a poverty-earnings job in the same way: if quarterly earnings are insufficient to lift a family of four out of poverty, it is a poverty-earnings job. In what follows, we present data on the percent of workers with quarterly earnings that fell at or below the poverty line. This percent differs from the ones in Table 1 above, because we have not been able to adjust for hours or weeks worked. Still, as we will see, this measure is more than adequate for identifying workers who are stuck in low-wage jobs over the long term.

The Geography of Poverty Earnings

Data Source

To determine the geography of bad jobs in Wisconsin, we rely again on our sample of Wisconsin Department of Workforce Development Unemployment Insurance data files.

A common perception is that bad jobs are limited to Wisconsin's inner cities, perhaps reflecting a less-skilled labor pool or the influx of immigrant workers. But

a closer look reveals that, in fact, no region in the state is immune to the problem of low-wage work. For the following analyses, we continue to use the State's employment earnings records and examine quarterly earnings on a county-by-county basis.

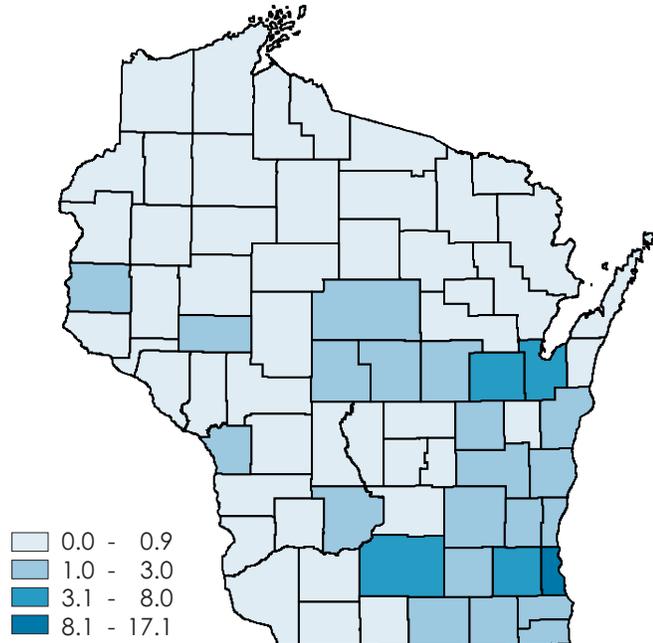
The first map in Figure 3 takes all Wisconsin workers who had quarterly earnings at or below the poverty line in 2000. The bulk of the state's poverty earnings population is, like the population of the state, located in just a few urban counties: Milwaukee, Waukesha, Dane and Brown.

But this map only tells part of the story. We can also approach the issue from another angle, and examine, within each county, how many workers had quarterly earnings at or below the poverty line. This allows analyses of job quality in communities and the type of job opportunities offered to their residents.

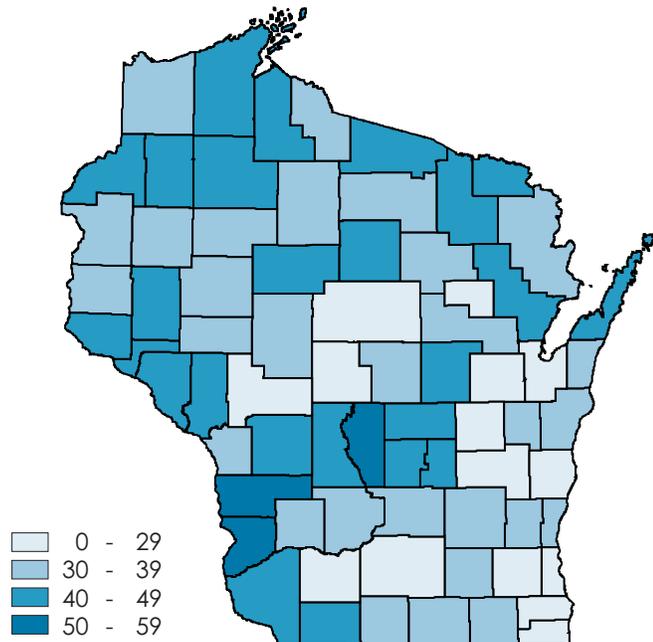
The second map in Figure 3 shows, of all the workers within each county, the percentage that had poverty-level earnings. And here, the picture changes dramatically. Residents of rural counties in Wisconsin had a much higher likelihood of holding a poverty-wage job than did urban residents.

Figure 3
The Distribution of Poverty Wages in Wisconsin, 2000

Percentage of Workers with Poverty Earnings in Wisconsin, by County, 2000



Within Each County, Percentage of Workers with Poverty Earnings, 2000



Source: COWS Analysis, Wisconsin Unemployment Insurance Records, 2000.

No Pay No Gain

So in terms of raw numbers, the majority of Wisconsin's poverty-wage jobs are, in fact, located in urban areas, simply because those areas have most of the jobs in the state. But a higher percentage of jobs in rural areas offer poverty-level earnings.

From a worker's perspective, the second point is probably the most relevant; it indicates the chances of finding a good job. And from a community's perspective, it is also more relevant because when there aren't enough good jobs, other measures of social health deteriorate. The obvious conclusion is that low-wage jobs are every region's problem. The challenge of raising living standards spans the state, and can only be solved through concerted action on all fronts — urban and rural, regional and statewide.