

# Stronger Ladders, Stronger Floors

## The Need for Both Supply and Demand Strategies to Improve Workers' Opportunities

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### The Center on Wisconsin Strategy

The Center on Wisconsin Strategy (COWS) is a non-profit, nonpartisan “think-and-do tank” dedicated to improving economic performance and living standards in the state of Wisconsin and nationally. Based at the University of Wisconsin-Madison, COWS works to promote “high road” strategies that support living wages, environmental sustainability, strong communities, and public accountability.

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Low-wage careers are a reality for too many workers in the US. There is no single silver bullet to solve the problem. The solution will necessarily require both supply and demand approaches. Supply side strategies—like building stronger training systems, investing in education and training, and building career ladders for working adults—will build more routes to decent standards of living for the millions of American workers who find themselves trapped in low-wage careers.

But equally important, the underlying structure of demand must get attention as well. Our labor market institutions which secure job quality are simply too weak. Too many industries have arrived at low-road equilibria of low investment in training, low wages and benefits, and high turnover. To overcome the problem of low-wage careers, we need to build stronger wage and benefit floors, stronger enforcement of those floors, and stronger systems to advance productivity and worker opportunity at the same time.

Supply and demand approaches are both critically important. We may not all work on both, but we should all endorse both. Further, when working on the supply side, it is important to pay careful attention to the underlying structure of demand and to use that information to craft strategies.

This paper draws very heavily from a more technical paper by my colleagues, Pablo Mitnik and Matt Zeidenberg (*From Bad to Good Jobs?* available at [www.cows.org/pdf/rp-bad-good.pdf](http://www.cows.org/pdf/rp-bad-good.pdf)). *From Bad to Good Jobs?* offers a detailed assessment of the prospects of career advancement strategies to build opportunity in service sector jobs. In this paper, I draw on their work, and on experience with workforce development practice, to offer some data and ideas that provide a more strategic approach to advancement strategies. I also argue for increased commitment to demand side strategies as a needed companion to supply side approaches to workforce and economic development.

The Center on Wisconsin Strategy (COWS) has worked on both supply and demand issues in the labor market. In the early 1990s, COWS helped start the Wisconsin Regional Training Partnership (WRTP) in Milwaukee. The WRTP, now an independent non-profit, is one of the oldest and best established sectoral partnerships in the nation. COWS continues to work in the region surrounding Madison, Wisconsin, with industrial partnerships and training providers to build pathways for training and advancement in the regional economy. Through the regional Jobs With a Future Partnerships, COWS works with employers, local technical colleges, and workforce development boards to get the training mix right: more relevant, more responsive, more accessible to workers and firms that need it.

Experience in building these partnerships and in considering the structure of demand in different industries has shaped the thinking shared in this paper. Improving education and training systems is absolutely critical in the US. And, in the service sector, some industries make much better targets than others. But in the end, we will need demand side strategies along with supply side ones to overcome the problem of long-term, low-wage work.

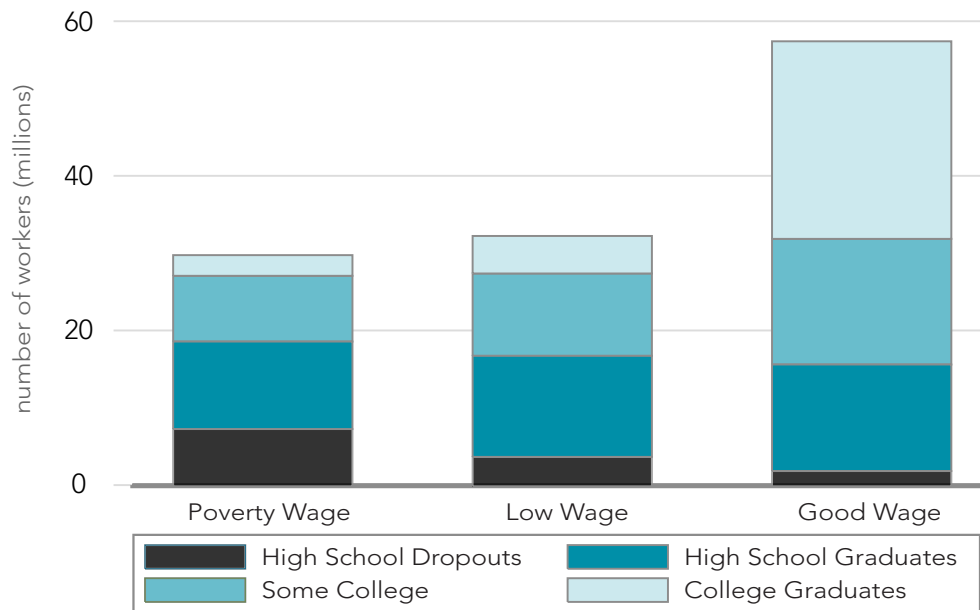
## 1. The American economy has too many bad jobs, and too many people are trapped in low-wage careers

Mitnik and Zeidenberg offer “a simple but informative characterization of the U.S. employment structure by calculating the relative proportion of poverty, low-, and good-wage jobs it includes. In Figure 1 we see that in 2000 there were more than 29 million people older than 17 in poverty-wage jobs, and almost 31 million in low-wage jobs. This means that better than half of all jobs were poverty- or low-wage. This figure also shows that the majority of high-school dropouts hold poverty-wage jobs, and that almost two-thirds of high-school graduates hold poverty- or low-wage jobs. Lastly, it indicates that people with some college education are more or less evenly distributed among good-wage and either poverty- or low-wage jobs, and that most college graduates have good-wage jobs—although about one out of five have either poverty- or low-wage jobs.”

They also point out that according to “employment growth projections to the year 2012, the bad job problem is here to stay. As Table I shows, of the ten occupations expected to generate the most jobs, five are poverty-wage and two are low-wage.”

Figure 1

**Employment Structure of the Entire Economy by Workers’ Education, 2000**



Source: Mitnik and Zeidenberg analysis of data from CPS-ORG 2000.

### Job quality thresholds

This paper presents data from Mitnik and Zeidenberg, who define poverty-wage jobs as those paying less than a single, full-time worker would need to earn to keep a family of four out of poverty: \$8.40 per hour in 2000. They define low-wage jobs as those paying less than 1.5 times the poverty-wage cut-off, which was \$12.59 per hour in 2000. Jobs paying above \$12.59, which in 2000 was (coincidentally) almost the exact value of the median wage, are considered good-wage jobs.

To summarize:

#### Poverty-wage jobs:

Less than \$ 8.40 per hour (in 2000 dollars)

#### Low-wage jobs:

Less than \$12.59 per hour but at least \$ 8.40 per hour

#### Good-wage jobs:

At least \$12.59 per hour

Table 1

**Poverty- and Low-Wage Occupations among the Ten Occupations with Largest Expected Job Growth, 2002–2012**

Occupation	Poverty-Wage	Low-Wage	Good-Wage
Waiters and waitresses	X		
Combined food preparation and serving workers, including fast food	X		
Cashiers	X		
Retail salespersons	X		
Janitors and cleaners	X		
Customer service representatives		X	
Nursing aides, orderlies, and attendants		X	
Postsecondary teachers			X
Registered nurses			X
General and operations managers			X

**Source:** Projections are from Hecker (2004). Data on median wages are from the Occupational Employment Statistics program of the U.S. Bureau of Labor Statistics, 2003.

**Note:** Poverty-wage occupations are those in which the median wage was less than \$8.97 in 2003; good-wage occupations are those in which the median wage was higher than \$13.45 in 2003; occupations with median wages between \$8.97 and 13.45 in 2003 are low-wage.

Finally, Mitnik and Zeidenberg review literature on mobility to conclude that: “There can be little doubt that at the bottom of the labor market mobility is not in good shape, and that a very significant proportion of poverty- and low-wage workers have dead-end careers. An increasing number of people are being condemned not just to poverty- and low-wage jobs for a limited time, but to poverty- and low-wage careers and to long-term poverty traps.”

**2. We need stronger systems to help working people build skills to advance, and focusing on industries is one way to organize the discussion**

If long-term, low-wage work is a problem, then we need to think about ways to build access and advancement to better-paying jobs. Across the country, practitioners and policy leaders are pursuing a range of strategies that are intended to help secure stronger economic opportunity for low-wage workers.

Many of these projects focus on specific industries, and seek to leverage connections with employers in those industries in order to secure access and advancement training for specific workers.

### 3. Just because you can build a ladder, doesn't mean workers get to climb it: considering job structure in the service sector

Mitnik and Zeidenberg focus their analysis on ten service-sector industries: hospitals; eating and drinking places; food stores; nursing and personal care facilities; child day care services; elementary and secondary schools; business services; banking and savings institutions; hotels, motels and lodging places; and non-food retail. They compare the structure of these industries to two industries outside the service sector, construction and durable manufacturing. Both have been traditionally known for having many good jobs in their employment structures, and for offering good advancement opportunities for workers at all educational levels, so they constitute natural “yardsticks” for comparison.

As Table 2 shows, each of the ten service industries selected either has a high number of poverty- and low-wage jobs, a high proportion of such jobs within its employment structure, or both. Indeed, in 2000 almost half of all poverty-wage jobs, and better than one-third of all low-wage jobs, were in one of these service industries. The hospitality industries alone (hotels, motels, and lodging places and eating and drinking places) provided almost one-seventh of all poverty-wage jobs, and a full four-fifths of the workers employed in these industries were poverty- or low-wage in 2000.

Table 2

#### Employment Structure of Selected Industries, 2000

Industry	Number of Jobs in 2000					Share of Jobs in 2000			
	Poverty Wage	Low Wage	Total	Good Jobs	Total	Poverty Wage	Low Wage	Total	Good Jobs
Construction	1,088,572	2,146,389	3,234,961	3,835,584	7,070,546	15.4	30.4	45.8	54.2
Durable Manufacturing	1,707,482	3,380,146	5,087,628	6,573,497	11,661,125	14.6	29.0	43.6	56.4
Banking	370,230	720,733	1,090,963	1,079,354	2,170,316	17.1	33.2	50.3	49.7
Hospitals	723,865	1,283,256	2,007,121	2,965,930	4,973,052	14.6	25.8	40.4	59.6
Schools	1,326,937	1,792,731	3,119,668	4,389,613	7,509,280	17.7	23.9	41.5	58.5
Business Services	741,780	820,875	1,562,655	996,645	2,559,300	29.0	32.1	61.1	38.9
Non-food Retail	4,289,749	3,025,633	7,315,382	2,910,302	10,225,684	42.0	29.6	71.5	28.5
Nursing & Personal Care Facilities	676,191	546,092	1,222,283	476,641	1,698,924	39.8	32.1	71.9	28.1
Hotels and Lodging Places	637,058	462,445	1,099,503	386,166	1,485,670	42.9	31.1	74.0	26.0
Food Stores	1,520,857	766,433	2,287,290	635,895	2,923,185	52.0	26.2	78.2	21.8
Childcare	569,727	259,200	828,927	150,554	979,481	58.2	26.5	84.6	15.4
Eating and Drinking Places	3,281,592	1,365,218	4,646,810	903,940	5,550,750	59.1	24.6	83.7	16.3
Entire Economy	29,175,620	31,902,986	61,078,606	56,701,388	117,779,992	24.8	27.1	51.9	48.1

**Source:** Mitnik and Zeidenberg analysis of data from CPS-ORG 2000.

**Note:** Poverty-wage jobs are those paying less than \$8.40 in 2000; jobs paying between \$8.40 and \$12.60 in 2000 are low-wage. Bad jobs are poverty- and low-wage jobs taken together. Good jobs are those paying more than \$12.60 in 2000.

Figure 2 provides an overview of the structure of demand in each of these industries, and of the educational barriers to accessing better jobs. Start by looking at durable manufacturing and construction—notice two things about these industries. First, there are more good jobs than poverty-wage jobs. That’s good. If you want to build access to better jobs, then you better have a lot of them.

Second, notice that in both of these sectors, a substantial share of the good wage workers don’t have 4-year college degrees. That’s a second piece of good news: the educational barrier to getting a decent wage doesn’t appear to be too high in these two sectors of the economy.

Now turn to the key service sectors on which we focus. Four industries—banking, hospitals, business services, and schools—have more good jobs than bad. That makes them decent targets for advancement strategies.

But the educational barriers to advancement are also quite clear in these sectors. Note especially schools, where very few earn good wages without a 4-year college degree. Hospitals likewise appear to have high educational requirements. Banking and business services appear to offer more access to decent wages, without always needing the 4-year degree. Even so, however, it is clear that none of these sectors provide the access to decent wages that durable manufacturing or construction do.

The second page of Figure 2 shows data for key service-sector industries which have more poverty-wage jobs than good jobs. In these sectors, regardless of the formality of career ladder agreements, it will be very hard to systematically move workers to better-paying jobs. There are so few better-paying jobs relative to poverty-wage jobs, that not everyone will get to advance.

It is these sectors where demand side strategies are more critical.

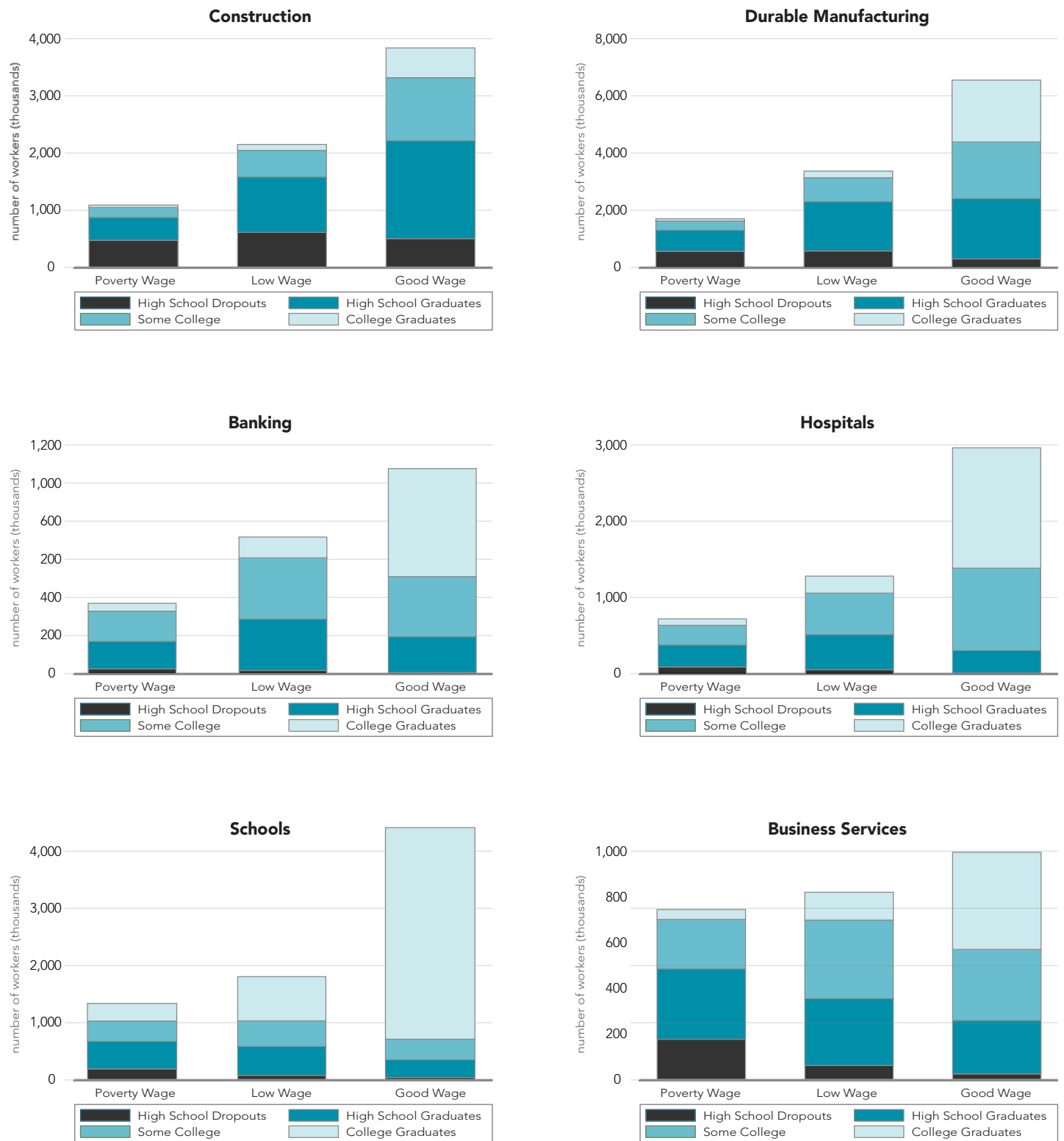
#### **4. If you are going to build ladders, think carefully about what you are building**

There are a number of ways that career ladder and other industry-based training programs might work. (For more on these logics, see Mitnik and Zeidenberg.) In doing these sorts of projects, clarity on the logic that you are pursuing helps clarify the actual scale of effect that you can have.

Some projects focus mostly on access. These projects try to make sure that specific populations have access to the entry-level jobs in a specific industry. While these projects may have important impacts for the population that gains access, it is very unlikely that such projects will improve general labor market outcomes. The populations that gain access will displace others who used to get the jobs. Even so, such projects can secure access for racial or ethnic groups who may not have been able to secure those jobs. Such projects may secure more equality in the distribution of opportunity, even if they do not actually change the structure of jobs.

Figure 2

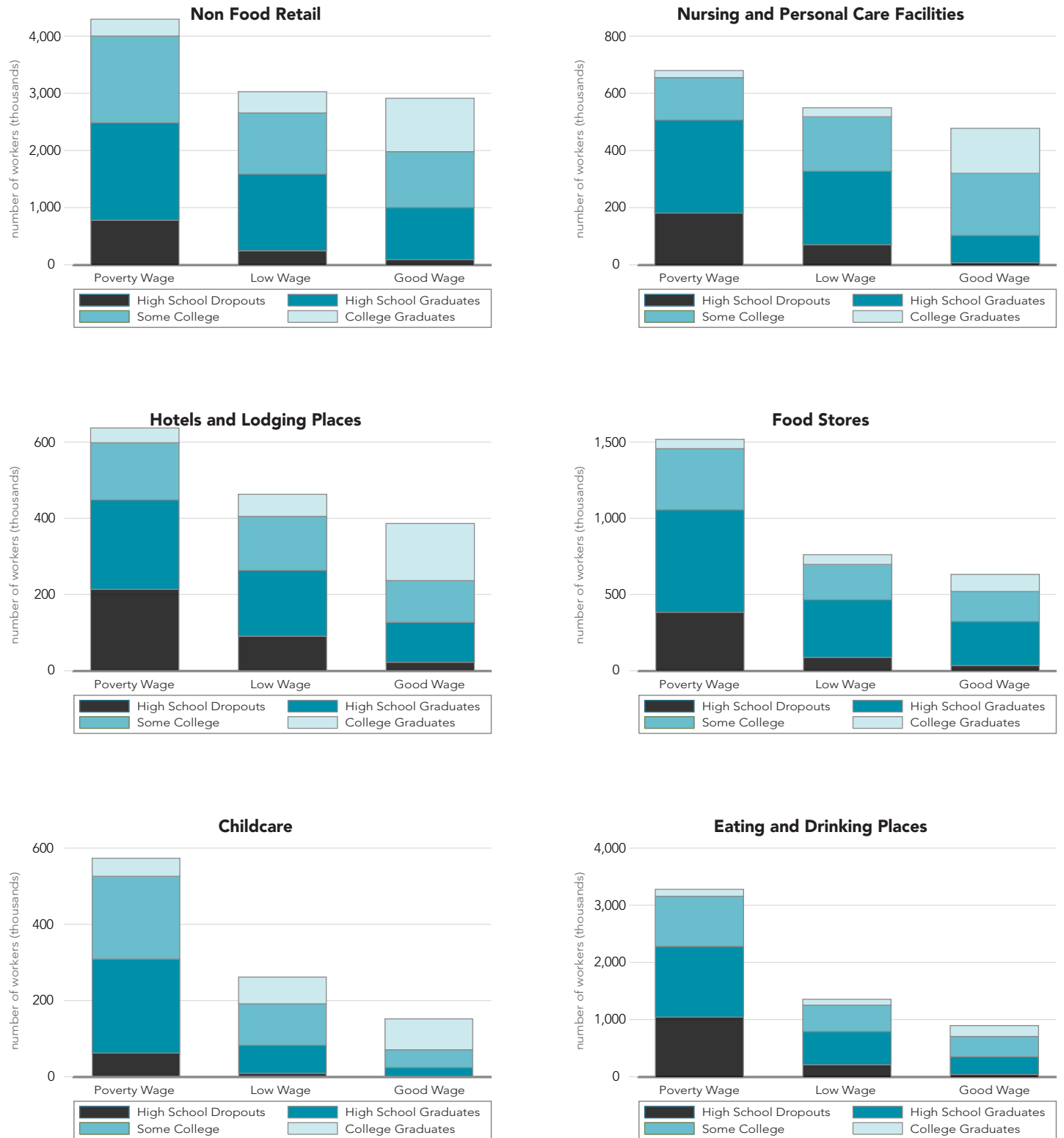
## Employment Structure of Selected Industries by Workers' Education, 2000



Source: Mitnik and Zeidenberg analysis of data from CPS-ORG 2000.

Figure 2 Cont.

### Employment Structure of Selected Industries by Workers' Education, 2000



Source: Mitnik and Zeidenberg analysis of data from CPS-ORG 2000.

Some projects target shortages in skilled positions. These projects, by meeting unmet employer demand and providing advancement for workers, actually can help solve both a supply and a demand problem. Clearly these projects, pursued systematically, can offer good results for workers and firms. However, shortages, by their nature, tend to be short-lived. Systems that are built to fill a shortage need to be set aside when the shortage is over. And while it is possible in specific regions and industries to identify some sustained short-term shortages, these are, inherently only found in points in time.

Some projects target job quality. These projects aspire to improve productivity and training in a single “virtuous” cycle. It is clear that this is the best possible approach, but also that the practice can be difficult. In order to get more focused on job quality, it often makes sense to document the range of job quality in the industry, and then to work with employer partners to find ways to improve retention and productivity. Deeply imbedded intermediaries—often unions—are in the best position to pursue this sort of work. It requires detailed insider knowledge of industry practice plus some leverage that can secure wage advancement as productivity increases.

## **5. Stronger standards, stronger training, stronger jobs**

The first lesson of this paper is about using data to build strategies. If you are working in the service sector and want to build pathways for advancement, think hard about the structure of demand in the industries you are considering. You need to make sure you know that there is a way to make training relevant to a set of more advanced jobs, but also that there are enough of those jobs that folks are likely to get to move up. Further, as practitioners and policy makers build programs, we should all realize that targeting only access can have good distributive effects, allowing groups access to jobs they may not otherwise have been able to get, but that such strategies don't have any pervasive job quality effect. That is, while your group may have access to the jobs now, that just means that someone else doesn't have access to the job.

The best practice approach is to try to systematically elevate job quality while building worker skills. Building systems that fill in regional skill shortages can provide good results to workers and firms. But, given the short-lived nature of true skill shortages, these strategies necessarily must be nimble and able to shift focus as markets shift. Another way to do so is to focus on simultaneously building job quality and training systems. Unions can be a key partners in such efforts. Whether led by a union or other workforce intermediary, the focus needs to be on the interaction of productivity and job quality.

Finally, it should also be a priority for all of us to see stronger labor standards, and strong systems to enforce those standards. We can build ladders and that will help some workers. But we must also make sure that the floor in our labor market is strong, and backed by institutions that have the power to systematically enforce that floor.