Section Two: Anatomy of a Quality Job

"It's important to think about the jobs that exist in an economy as really representing the actual opportunities that are available to people. If only low-wage, lower-quality opportunities are available to many workers, they cannot apply for higher-wage positions that don't exist."

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Q: How has work changed over the past 30 years, and what are the impacts of those changes on job quality?

A: Over the last few decades, one of the most important trends in terms of the nature of work is really the expansion of low-wage jobs. We can see since the late 1970s or so the growth in wages at the high end of the wage distribution, stagnation of wages in the middle, and even a slight decline of wages at the bottom end. We've seen growth in highly skilled jobs, such as those in information technology, but then also this corresponding growth in jobs at the lower end of the spectrum, jobs that tend to be more in the service sector—retail and restaurant jobs, for instance. At the same time, there was a hollowing out of jobs in the middle.

People are very familiar with the story of this sort of deindustrialization and the loss of manufacturing jobs over the last several decades. That's a pattern that we've seen across the country, and those jobs had historically paid reasonably high wages, especially for the education levels that they required. A worker without a college degree could have a job in manufacturing and actually earn enough to support their family. But those jobs have been disappearing or in decline for several decades, and they have been replaced with this growing service sector with a high proportion of lower-wage and poorer-quality jobs.

Q: How would you define a quality job, and what characteristics beyond higher wages would be included in that definition?

A: There are a lot of dimensions to someone's job. When we think about the quality of a job—especially when we are looking from a data perspective or a research perspective—wage level is a key aspect of it because we have a lot of data on that and that's a really straightforward way to compare jobs. If we actually speak to workers themselves about what they would consider to be elements of a quality job, there is a broader set of features there. In addition to wages, we also think about their access to affordable and quality benefits—things like healthcare, retirement savings plans, or other benefits like sick leave and family medical leave.

Then we also think about the conditions of the work itself. One of the major issues that's coming up, especially for low-wage workers in the service sector, is the predictability of their work schedules. Whether people are working in restaurants or stores, from week to week there can be inconsistency in scheduling, which creates a lot of challenges for workers who are trying to plan for things like childcare for their work shifts. If they are also taking classes or trying to earn a degree, it's hard to accomplish that while they're also trying to manage work schedules that are unpredictable. The environment of the work itself is also important to job quality: being in a safe work environment, not experiencing discrimination at work, having fair hiring practices in place, and the ability of workers to have a say in their working conditions.

The last element we think about in relation to job quality is what we call “income stability,” which includes whether the job itself is stable, whether workers are getting enough work hours from week to week or month to month, and whether their income is consistent. Over the last few years, there’s been greater attention to this issue of income volatility and the problems that it can create for workers and their families. Taken together, this combination of wages, benefits, the conditions of the work itself, and the stability of employment and income make up the overall measure of job quality.

Q: We’ve seen a lot of activity and campaigns around raising the minimum wage. Who in New England earns that minimum wage, and what kind of work are they doing?

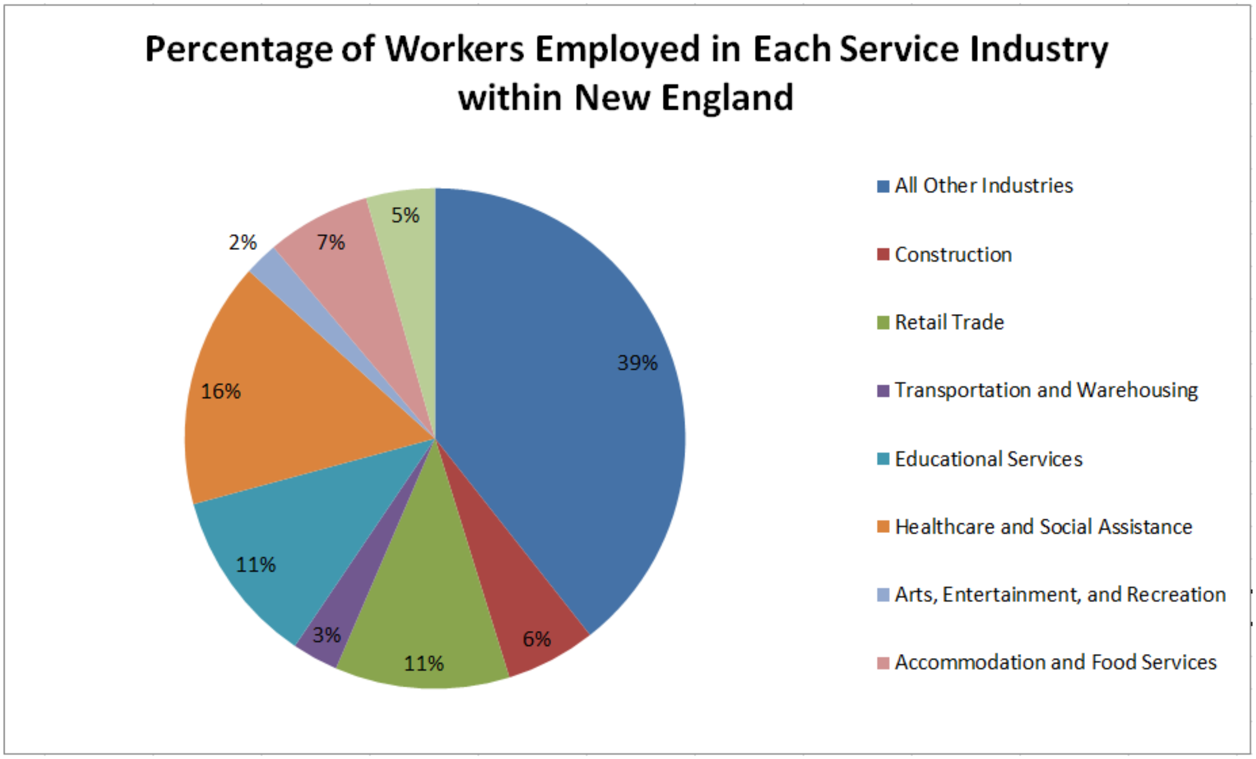
A: Different states and cities in New England have different minimum-wage levels; some cities and states choose to set their minimum wages higher than the federal minimum wage of $7.25 per hour. In New England, every state has chosen to raise its minimum wage above the federal level except for New Hampshire. So those wage levels vary a bit, but if we set a cut-off of, say, $15.00 per hour for the low-wage workforce, that accounts for about a third of the total workforce across New England.

There are some misconceptions about who makes up that low-wage workforce. For instance, there’s a popular idea that it’s a lot of teenagers who are working low-wage jobs after school or on the weekend just to earn some extra spending money, and that’s not really the case. In our recent study of data on low-wage workers in New England, we found that the majority of people working in jobs that pay less than $15.00 an hour are the primary earners in their families—bringing in the majority of the income for their families—and most of them are working full time. About a third of them are parents as well, so about 20 percent of children across New England have at least one working parent earning less than $15.00 an hour. We also found that the low-wage workforce is disproportionately composed of workers of color. There are a few states in New England, in fact, where the majority of Latino workers make less than $15.00 an hour. In some cities, the percentages can actually be even higher than that.

Low-wage workers are actually concentrated in certain industries across New England, so even though there are workers earning less than $15.00 per hour across the economy, there are a few industries that really stand out. In nearly every state, retail, restaurants, healthcare, and social assistance, including childcare, together account for about half or more of all workers who earn less than $15.00 an hour.

Q: You mentioned that there’s a split generally across the country between high-wage and low-wage jobs. What types of work are more common or growing here in New England, and which of those jobs tend to pay a lower wage?

A: We see similar patterns in New England and in the rest of the country of where jobs are growing and what industries are growing. The U.S. Department of Labor actually projects that just over half of all new jobs that are going to be created over the next seven or eight years are jobs requiring a high-school degree or less, and those will tend to be lower-skill jobs that pay lower wages. Personal-care aides and home-health aides are the jobs projected to have the largest growth, adding a total of over 800,000 jobs across the U.S., and we’ll see similar patterns in New England. Nearly two-thirds of occupations that are projected to grow by at least 25 percent require no more than a high-school diploma, so we're going to see this continued trend in expansion of jobs at the lower end of the spectrum, jobs that require fewer skills and that have historically paid lower wages.



Source: 2015 five-year American Community Survey estimates.

Q: If there are so many people working at very low wages in the U.S. and in our region, are there costs to the public at large, even though customers may currently see lower prices and company shareholders might see larger returns? What's the cost to the economy of this kind of work?

A: In many cases, workers in low-wage jobs earn incomes that are actually below the federal poverty line and may also fall below the eligibility thresholds for a lot of social-assistance programs providing assistance for families in need, such as the Supplemental Nutrition Assistance Program (formerly known as food stamps) and Medicaid. In New England, the majority of people who have to rely on Medicaid and children's health-insurance programs are actually in working families led by parents who work full-time jobs but don't earn enough to be able to afford their own healthcare coverage, so the state is able to provide that for them. These workers are in jobs where either the employers aren't providing health insurance coverage or the wages are so low that workers aren't able to afford their own healthcare coverage and must make use of public-assistance programs. Whether we look at it in terms of the number of people enrolled or the costs of the programs that go to support families who are working, again the majority of the expenditures in these programs are assisting people who are in working families.

I think it's important to emphasize that these public-assistance programs are in place to perform an important function. But along the way, our labor market has produced enough low-wage jobs that even working people are forced to make use of these programs, which may not have been the initial intention and isn't necessarily the goal of the policymakers who created these programs—to supplant and provide services or benefits that had previously been accessed through people's jobs. That's an important aspect of our total economy, whether people access healthcare coverage when they need it, and there are costs associated with that. So who bears the burden of those costs? When we have a large number of jobs that pay very low wages and the people working in those jobs need to access health services, if they can't access health insurance through work or they can't afford their own health insurance, then public dollars will ultimately be used to provide those services. So, in effect, we are seeing public money subsidizing low-wage work itself. Some economists would think of this as an externality of the expansion of low-wage work, even if it is perhaps an unintended externality.

So the questions before policymakers are, who will bear the burdens of those costs, and is the ultimate decision that these public programs are in place to provide benefits for workers whose wages aren't high enough to afford health insurance or should those expenses be considered costs of employment itself? As it stands now, low-wage workers using public programs in some ways effectively subsidizes low-wage work itself, in that employers who pay low wages are able to continue to pay low wages because their workers will then turn to the public safety net. Some might say that's taking advantage of those programs that are in place for a good reason. These are broader questions that I think policymakers need to consider, making use of all of the information that we are able to provide to answer those questions.

Q: So this seems to be a considerable problem for the economy, but there's some thought being put into how to address this issue and what kind of strategies might work. What strategies are being considered?

A: We think about two broad strategies in terms of improving the employment outcomes of low- and moderate-income communities: upgrading the workers themselves or upgrading the jobs that people are employed in.

The first approach involves things like improving the skills of the workers—sometimes called "human-capital development"—so that workers can either become more productive in their jobs and earn higher wages or they can access other jobs that pay higher wages and move up the ladder in terms of their own employment. I think that those strategies are important, and they can lead to upward mobility for individual workers.

The second approach is what we refer to as upgrading the jobs themselves. It's important to think about the jobs that exist in an economy as really representing the actual opportunities that are available to people. If only low-wage, lower-quality opportunities are available to many workers, they cannot apply for higher-wage positions that don't exist. But strategies that upgrade the job work to ensure that the quality of the position runs with the job rather than an individual worker employed in that job. Such strategies include policies that raise wage floors and those that establish expectations for what jobs provide in terms of the benefits, scheduling, or other aspects of the condition of the job. These policies are able to affect many more workers and many more jobs. So whether workers are staying in a job or moving from one job to another, whoever is employed as, say, a waiter in a certain restaurant, we know that the wages will be at least a certain amount, that the worker will have access to healthcare benefits, and that the conditions of the employment are set so that they can have more information about their scheduling in advance or other aspects or conditions of their work. So those aspects are not tied so much to the specific employee, and that's the vision of upgrading jobs themselves.

We've seen a lot of programs at the federal and local levels that really do address the skills development of workers, and there's been less policy emphasis on the strategy of upgrading the jobs. But in order to develop effective responses, policymakers have to acknowledge and address this expansion of low-wage work, this deeper structural shift that's happening in the economy. We can improve workers' skills and improve their training, but they still may end up in low-wage jobs because those are the jobs that are out there and growing. An approach that emphasizes just the skills or training of workers themselves is unable to address this underlying structural problem of the continued expansion of low-wage and low-quality jobs.

Q: In what ways might policy measures respond to this issue and capitalize on some of these strategies, and what kinds of policy measures or interventions are being discussed, developed, or even put in place already?

A: The quality of jobs has long been the product of economic forces as well as policy or legislative forces, so policy has played a role in the quality of jobs that exist in the economy for a very long time; this is not a new idea. Going back to the 1930s, the [Fair Labor Standards Act] and other similar policies established minimum standards, including the minimum wage, the 40-hour workweek, the guarantee of overtime, and other aspects of worker safety. So there is definitely a role for policy interventions and policies that help to shape the nature of work in our economy.

As policymakers work to account for the continued expansion of low-wage work, there are a number of different policy approaches that have focused on upgrading and trying to improve the quality of jobs. One of these broad strategies involves raising minimum standards across the labor market, and often people will think about minimum wages here. As I mentioned, while there is a set federal minimum-wage level, states are able to set their own minimum wages as well, and as of today 29 states have set minimum wages above the federal level. And a number of cities have been able to set wages that are even higher than their state level, raising the floor across the entire labor market in a given geography so that all employees will receive wages above a certain level. When states or cities raise their minimum-wage levels, we have seen that it not only affects the workers whose wages are just below that level but also has a sort of spillover effect so that workers who earn a couple dollars above the new minimum wage will see their wages go up as well. This has positive effects on the broader economy as well. A lot of research has shown that workers whose wage levels increase tend to spend most of that money—whether it's on housing or groceries or other necessary expenses—and that money then goes out into their local economies and has this multiplying effect and a stimulant effect on the local economy.

We've also seen other innovative approaches that focus on specific industries, especially those in which there are high concentrations of low-wage jobs. A few states have established minimum standards that apply to domestic workers, for instance. There also have been specific standards applied to retail jobs or restaurant jobs. The idea here is that we know that there's been an expansion of low-wage jobs in certain industries and that certain industries account for a lot of the country's overall supply of low-wage jobs, so it makes sense to try to understand the specific dynamics in those industries that are producing this proliferation of low-wage jobs and think about how that can be addressed. Another example is that in the restaurant industry, specifically, you see a lot of issues with consistent scheduling, so rather than using a broad-based approach to scheduling practices for all workers in all jobs in all industries, some states take on that issue for restaurants in particular and focus their policy efforts on requirements for food-service employers around advanced-notice scheduling for their workers. You see some of that in retail as well.

A third strategy that we've seen is more on the local level. Local governments have attached job standards to government contracts that ensure that those contractors pay their employees a living wage or provide health benefits. We've also seen community organizations themselves develop a similar tool, called a community benefits agreement, or CBA. In those cases, community organizations come together in a given area where a large development project has been proposed and where there are public dollars going in to subsidize that economic development, and they work with the private developers who are receiving public subsidies to identify needs in that community, such as additional affordable housing or local hiring practices for jobs in the area. The idea is that since private developers are actually benefiting from public dollars, there's an expectation from the community organizations that they also provide benefits to the public as well. One of the strengths of this model is that the community benefits agreements are really well tailored to meet the needs of the local community. But CBAs are project-specific, so they only come up when there is a new development and therefore are really dependent on local economic development activity.

Beyond these policies that are focused on increasing wages, there are a number of policies that state and local governments have either implemented or are currently considering that improve other aspects of the quality of jobs by expanding other benefits, like sick leave, paid family medical leave, and, of course, predictable scheduling practices. So there is this greater recognition that while wages are an important aspect of jobs, there are all these other dimensions as well, including access to health insurance, conditions of the work, consistency of workers' hours, consistency of income, and worker voice. We've been seeing innovative strategies coming up, especially at the state and local levels, to address these other aspects of the quality of work.

These strategies can involve potential side effects. Critics often suggest that higher minimum wages could lead to job losses or higher prices for consumers, although research in that area has been inconclusive. Policymakers are expected to weigh the expected benefits and trade-offs of implementing strategies to improve the quality of jobs.

Q: Finally, businesses and employers of course are an important part of this equation, and we know that some employers have been thinking about how they can address some of these issues and create a better quality of work within their industries and firms. What is their role as employers, what kinds of strategies might they use, and how might they benefit from instituting practices that would improve the quality of the jobs they offer?

A: We've seen a lot of research showing that improving the quality of jobs can actually produce valuable benefits to employers themselves, especially in terms of higher productivity from workers and lower turnover. One model describes the vicious cycle in which low-quality jobs lead to higher turnover among the workforce, lower levels of training for those workers, and understaffing—all of which can contribute to lower sales or poorer revenue for firms, which then limits their ability to invest in workers and improve the quality of jobs. So that's the danger for businesses of this cycle of low-quality jobs.

The alternative vision is this virtuous cycle of improving the quality of jobs, whether through increasing wages, increasing worker autonomy, or improving workers' sense of responsibility over their own jobs. Research has shown that this can lead to higher sales and profits for firms, which then increases the ability of that firm to further improve the quality of jobs, creating a cycle that's reinforcing and really led by this vision of improving the quality of jobs. This has been shown to be effective even in the retail sector and other service industries where there are low margins. In this model, employers are not necessarily constrained by the cost to offer low-quality jobs, and in the last few years we've seen a number of employers essentially endorse this model and publicly adopt a platform of providing jobs that pay wages significantly higher than the minimum wage.

The difficulty is that in many of the low-wage industries, employers face these competitive pressures with other firms and employers in that industry. So even if the employers themselves were interested in, say, raising wages or providing health benefits, the dynamics in these industries can be so competitive that if they did so, they would be unable to compete with other employers—especially with large employers who are paying lower wages and who have lower costs because they may not be providing healthcare. In low-wage industries, employers often find themselves in what's called a race to the bottom, so that in order to stay competitive with each other, they all face this downward pressure on the wages and benefits they can provide to their workers. These dynamics really limit the ability of any one employer to act differently and still compete with others in their industry.

For us, this problem provides an important justification or rationale for policy intervention. We have an outcome where a number of employers want to do something different in terms of hiring or the quality of the jobs they're offering, but they're unable to do so if their competitors are not doing the same things. When we have policies that raise the floors—whether by raising wages or by setting certain expectations in terms of minimum levels of health insurance coverage that apply to all the employers equally—then they no longer compete on wage or benefit levels. In such situations, there may be an important role for policy to play in raising the floor across the board—establishing minimum expectations for jobs that apply equally to all firms—so that no one firm faces a competitive disadvantage because they're trying to improve the quality of jobs.