



# Low Job Quality Leaves Workers and Our Economy More Vulnerable to the Next Recession

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# Introduction

The Great Recession of 2007 – 2009 created significant economic hardships for workers, especially low-wage workers of color. While many workers lost jobs and needed income, those who were able to find employment often ended up in low-quality jobs with low pay, few or no benefits, and limited opportunities for advancement. Many of these jobs also had volatile schedules, making it challenging for workers to manage transportation, child care, classes, and other jobs. Furthermore, many workers could only find part-time positions despite seeking full-time jobs. The net job creation during the recession was in these lower-paying jobs, and low-wage work continues to be a fast-growing sector. Meanwhile, the “fissuring” of the workplace, which started before the Great Recession, has resulted in more subcontracted, temporary, and 1099 positions that lack benefits and workplace protections, further exacerbating the plight of low-wage workers. The reality for most low-wage workers today is that they, and their families, are struggling.

The economy is growing now, but there will be another recession, and when it comes it will be deeper and more painful for workers than it needs to be. Low quality jobs make recessions more difficult for workers to navigate. With employers choosing profit over investing in their workers, introducing greater precarity in work schedules in the name of efficiency, and achieving greater shareholder value by eliminating middle-income jobs for more low-wage jobs—workers are paying the ultimate price. Low-wage workers have few or no savings to help them weather any financial emergency, particularly the economic constraints of losing hours or even their job. And, as the Great Recession illustrated, it takes these workers a lot longer to recover from a recession.

To prepare for the next recession, policymakers should strengthen protections for workers and families. The Trump Administration’s misguided policies are instead further eroding labor standards and worker protections, which will worsen financial hardships for millions of workers when another recession occurs. The Administration’s actions include efforts to cut vital safety net programs such as nutrition programs and Medicaid to pay for the massive tax cut benefitting millionaires and corporations. It also includes a perverse commitment to rolling back Obama Administration rules aimed at protecting workers, including those that extended overtime protections to over 4.2 million workers and protected workers’ retirement security and safety while on the job.

Rather than continuing efforts to crack down on wage theft, enforce the law for workers, and level the playing field for high-road employers, the Trump Department of Labor has pulled back misclassification and joint employer guidance in favor of proposed rules and initiatives that stack the deck against workers. Finally, despite claiming a commitment to paid leave, the Trump administration’s flawed paid leave budget proposal could further harm unemployed workers.<sup>1</sup>

We know the policies needed to improve workers’ job quality and economic security. During a recovery, Congress and employers should increase wages and benefits, which can cushion the shock of another recession. Work supports and standards like paid family and medical leave and paid sick days can serve as guardrails to moderate the effects of another recession. Fair and predictable work schedules ensure workers much-needed stability in their schedules and incomes. Without these policies in place, the problems low-wage workers face during a recession will ripple through their families, communities, and the economy, reducing growth and hampering recovery.

## Background

Almost 10 years into the recovery from the Great Recession, many low-wage workers and their families are still struggling. According to the Economic Policy Institute, “[since] the lowest-wage workers are often the most vulnerable in economic downturns, it often takes them longer to recover in economic expansions.”<sup>2</sup> As of 2017,

nearly 40 million people (12.3 percent of the U.S. population) were living in poverty in the United States.<sup>3</sup> In 2016, there were 9.9 million families with incomes below 200 percent of the Federal Poverty Level. This number is still higher than at the onset of the Great Recession, meaning the recovery has not helped many working families, especially families of color, who comprise up to 60 percent of low-income families in the US while comprising only 41 percent of all working families.<sup>4</sup> In addition to the growth of income inequality following the Great Recession, wealth inequality has also grown, particularly hurting low-income households of color who have little or no wealth or savings to serve as a cushion during emergencies or economic downturns. Today, three in 10 working families struggle to meet basic needs, let alone build savings.<sup>5</sup> Wages continue to be the primary source of income for most U.S. households. However, in 2018, approximately 1.7 million workers earned wages at or below the federal minimum wage of \$7.25 per hour.<sup>6</sup> Most of these workers were young, female, and predominantly people of color.

## The Decline in Job Quality

Job quality has continually eroded since before the Great Recession. Low-wage workers have experienced wage stagnation, the weakening of worker protections, and the dissolution of collective bargaining power.<sup>7</sup> Once the recession hit, low-wage workers either lost their jobs or moved further into precarious work situations. The quality of low-wage jobs has not markedly improved in the recovery. The fastest growing jobs during the recovery were in low-wage occupations, primarily in the service sector. In 2014, over one and a half million more people were working in low-wage industries than when the recession started.<sup>8</sup>

Furthermore, the fissuring of the workplace impacts low-wage and undocumented workers, who may work in sectors where fissuring is most prevalent.<sup>9</sup> Companies are inserting one or more intermediaries between themselves and their workforce by sub-contracting, outsourcing, using temp agencies, and franchising.<sup>10</sup> This can damage workplace compliance with labor and employment laws. As profit margins decrease with increased sub-contracting, companies in the bottom of fissured structures have increased incentives to cut corners and misclassify employees as independent contractors to reduce labor costs. This leaves workers in more precarious positions than employees, as they must pay their own portions of social security and Medicare, do not benefit from unemployment insurance and workers' compensation, and lose out on a host of workplace protections, including minimum wage and overtime laws, prohibitions on workplace discrimination, and the right to organize and collectively bargain. Additionally, these jobs don't offer opportunities for training or advancement to realize the American promise that "if you work hard, you'll succeed."

While the overall unemployment rate has been going down, approximately 5.2 million workers are working in involuntary part-time jobs (meaning, they would prefer full-time jobs).<sup>11</sup> Workers struggling with underemployment often end up working multiple, temporary jobs to make ends meet.

People get trapped in low-wage jobs and have few means or pathways out. They either move to other low-wage jobs, or they become unemployed.<sup>12</sup> This cycle holds back our economy during periods of growth since low-wage workers have lost so much ground and have few or no options to reach their potential or achieve greater stability. This rise in income inequality, in turn, creates broader economic instability and can hasten the next recession.

## Policy Proposals that Would Promote Workers' Economic Stability During a Recession

Numerous policies would improve job quality for workers earning low-wages, including increasing the minimum wage and overtime salary threshold, improving workers' bargaining power, enhancing enforcement for

existing labor standards, and increasing access to quality, affordable child care, health care, and retirement benefits.<sup>13</sup> These policies would improve low-wage workers' economic stability during the recovery and also help workers withstand the devastating impacts of the next recession. We focus on three policy proposals that would significantly support low-wage workers' economic security: a national paid family and medical leave program; access to paid sick days; and access to fair and predictable schedules.

Critical work supports like paid sick days and paid family and medical leave can make the difference between a family staying afloat or falling into poverty when welcoming a new child or coping with a medical condition. For these workers, taking time off without pay often just isn't an option. Staying attached to a job ensures low-wage workers not only have needed income, but also the opportunity for wage growth and career training and advancement opportunities. Work supports like paid sick days and paid family and medical leave help keep workers in the labor force. Furthermore, employers can also benefit from lower turnover and higher productivity. Strengthening the economic conditions of workers during a recovery can help both workers and employers endure the next recession.

## **Paid Family and Medical Leave**

A federal paid family and medical leave policy would function as a critical work support by improving economic stability and increasing female labor force attachment and wages after childbirth. The U.S. is dubiously ranked as the only developed nation that doesn't guarantee paid parental leave, and is an outlier in its failure to provide paid family leave.<sup>14</sup> Only about 60 percent of workers in the United States are eligible for unpaid leave through the federal Family and Medical Leave Act (FMLA), and few low-wage workers can afford to take it.<sup>15</sup>

Paid family and medical leave provides income stability when workers are unable to work.<sup>16</sup> This is particularly critical for workers earning low wages and workers of color. The racial wealth gap and "[d]isparities in access to other economic supports make it more difficult for families of color to absorb the financial shock of a serious family or medical need."<sup>17</sup> Paid family leave is also associated with increased female labor force attachment.<sup>18</sup> In one survey, use of California's Paid Family Leave (PFL) program increased the probability that workers earning low wages would return to the same employer after their leave.<sup>19</sup> Paid leave also improves earnings for women following childbirth and reduces the risk of poverty for them and their families.<sup>20</sup>

Incongruously, paid family and medical leave is disproportionately available to those who are better paid. Among the bottom quarter of wage earners, more than 90 percent have jobs without paid family leave.<sup>21</sup> If they take critical medical and caregiving time and forgo needed income, workers are forced to make harrowing choices, such as buying groceries for their family or paying their rent. A recession will only exacerbate these painful and untenable choices. Where workers can't afford to take unpaid time off, they risk additional health and financial risks down the road.

With the growth of the fissured workplace, workers who are classified as independent contractors or work part-time may also be less likely to receive employer-provided benefits for a medical condition or to welcome a new child, such as paid leave, vacation time, sick days, or disability insurance.<sup>22</sup> A national paid family and medical leave program would provide a critical, portable, work-based benefit available to both self-employed workers and employees that could reduce disparities in wage loss and increase female labor force participation. This greater economic security for families is urgently needed now and could be lifesaving during a recession.

## **Paid Sick Days**

Access to paid sick days also enhances workers' economic security. Over 35 million workers don't have any paid sick days.<sup>23</sup> If they get the flu, need preventative care, or must care for a sick child or an ailing parent, they face

impossible choices between health and employment. Even a day of lost wages can interfere with paying bills or affording groceries. Low-wage workers — who can least afford to take unpaid leave — are also the least likely to have jobs with paid sick days. While 9 of 10 workers in the highest 10 percent of wage earners have paid sick leave, only 3 in 10 workers in the bottom 10 percent do.<sup>24</sup>

Paid sick days are also inequitably distributed by race. Hispanic workers are disproportionately represented in occupations and industries, such as the service sector, that rarely offer paid sick days. As a result, less than half of Hispanic workers have paid sick days.<sup>25</sup>

For many workers, taking unpaid sick time can lead to economic instability, forgone wages and even job loss, which can be an entry point into poverty.<sup>26</sup> In fact, workers without paid sick days are 3 times more likely to experience poverty.<sup>27</sup> Additionally, a lack of paid sick days creates hardships for workers when the labor market is tight, but during a recession it can be catastrophic, as unstable employment turns into long-term unemployment with devastating consequences. A national paid sick days law could mitigate these effects, creating significant public health and economic benefits.

## Fair and Predictable Schedules

Volatile work schedules have become the norm for many low-wage workers. Approximately 17 percent of workers now have unpredictable schedules,<sup>28</sup> which means they often only have a few days' or even hours' notice of their work schedules. Because these workers lack input into their schedules, they must contend with unpredictability from week to week or day to day, which wreaks havoc on their economic security and their family life. These workers face significant difficulties arranging child care and transportation, along with continuing their education or seeking additional training. Furthermore, since their hours can fluctuate week to week, they cannot budget effectively to meet their bills and other financial obligations. People working part-time are especially likely to work in jobs with unpredictable schedules, with more than a quarter affected by irregular schedules. This volatility imposes serious economic, personal, and health strains on low-wage workers and their families.<sup>29</sup>

As awareness of these volatile scheduling practices has grown, numerous cities and the state of Oregon have passed laws creating fair and predictable scheduling standards. These policies include provisions to increase employee input into work schedules; ensure workers have advance notice of work schedules; discourage last-minute changes to scheduled shifts; and expand opportunities for people working part-time. A national scheduling standard would provide low-wage workers much-needed stability in their schedules and incomes. This will ensure workers have the economic resources—through stable incomes and schedules, or access to job training or school—to meet their families' needs and withstand the next recession.

## Why Implementation and Enforcement of Labor Standards Matters

Beneficial workplace policies will only allow workers to maintain economic stability if they are implemented and enforced so that workers are aware of and able to access these protections.<sup>30</sup> A law that isn't properly implemented or robustly enforced can exacerbate rather than ameliorate existing racial and socioeconomic disparities.<sup>31</sup> For example, in one survey of California's Paid Family Leave program, low-wage workers, immigrants, and Latinos "were least likely to be aware of the program"<sup>32</sup> and therefore unable to benefit from it. Low-wage workers misclassified as independent contractors will be unlawfully denied workplace protections, including receiving paid sick days and minimum wages. National standards will help mitigate the harm of another recession, but only if we design, implement, and enforce them for all workers.

# Where we go from here

Low-wage workers have still not fully recovered from the Great Recession. They continue to work in low-quality jobs that provide limited or no job benefits and are covered by fewer and fewer labor protections. This constellation of factors makes low-wage workers particularly vulnerable when we head into another recession. To protect the economic security of low-wage workers, employers need to improve existing low-wage jobs by offering higher wages and benefits, policymakers need to effectively implement and enforce new and existing labor standards, and workers need to strengthen their voices through collective bargaining.

We must also pass three new labor standards—paid family and medical leave, paid sick days and fair work schedules—at the national level to help workers better withstand the economic turmoil a recession will cause. While none of these policies exist yet at the federal level (though legislation has been introduced for all three), states and localities have generated tremendous momentum in enacting them. To date, eight states and the District of Columbia have passed paid family and medical leave laws, and another half dozen states are actively considering similar policies. Paid Sick Days laws have passed in 12 states, the District of Columbia, and 23 localities. State and local scheduling policies have primarily focused on three low-wage sectors—large retail, hospitality, and food service establishments—with jurisdictions introducing them across the country. However, we must remain vigilant that spurious worker support policies, such as the non-comprehensive paid leave policies proposed by the Trump Administration and Republican members of Congress, do not gain traction. These proposed leave policies are simply “window dressing” that leave out millions of people with caregiving responsibilities and essentially cut vital programs like Unemployment Insurance and Social Security to fund paid leave that will end up harming rather than helping most U.S. workers and their families. Job quality helps improve workers’ economic security and benefits the overall economy.

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## Endnotes

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