About CLASP

CLASP develops and advocates for policies at the federal, state, and local levels that improve the lives of low-income people. We focus on policies that strengthen families and create pathways to education and work. Through careful research and analysis and effective advocacy, we develop and promote new ideas, mobilize others, and directly assist governments and advocates to put in place successful strategies that deliver results that matter to people across America. For more information, visit www.clasp.org and follow @CLASP_DC.

A job creation and job quality agenda for Labor Day

By Liz Ben-Ishai and Elizabeth Lower-Basch

Jobs – particularly good jobs – are the core of the American economy. Good jobs allow workers to meet their families’ needs and save for the future. Good jobs support consumer spending, which in turn puts money in businesses’ cash registers, allowing them to hire more workers, creating a cycle of growth. A growing economy also brings in new revenues for the government, allowing it to meet today’s needs, make critical investments for the future, and bring down deficits, all at once. And full employment brings workers into the labor force, driving down poverty.

Even before the Great Recession, too many Americans worked hard for poverty-level wages. According to the Economic Policy Institute, in 2012, 28.1 percent of jobs paid poverty wages, up from 23.3 percent in 2006. Women and people of color were hit particularly hard by the increase in jobs paying poverty level wages, as 39 percent of jobs occupied by black women and 48 percent of jobs held by Latina women paid poverty level wages in 2012. Meanwhile, the real value of the minimum wage continues to stagnate, even as workers grow more and more productive. In spite of increases to the minimum wage between 2007 and 2009, the minimum wage is currently less than three quarters of its value in 1967 in real terms.

But job quality is about more than wages. As CLASP argued in our 2007 paper, Opportunity at Work: Improving Job Quality, low-wages often go hand in hand with few benefits, little stability in hours, and almost no opportunity for advancement.
These trends have only gotten stronger in recent years, as high unemployment rates have shifted the balance of power towards employers, allowing them to threaten workers who ask for better wages or working conditions – or who refuse to make themselves available to work at any time – with sanctions that could include reduced hours or even loss of employment.

Individual workers may not have the power to stand up to abusive employers. But as a society, we have the power to use macro-economic policy to promote full employment, to provide targeted assistance to those at risk of being left behind, to set standards and enforce them, to reward good employers and penalize bad ones, to create the conditions that allow for workers’ organizing and collective action, and to build a safety net that reflects the realities of today’s low-wage labor market.

Employment Recovers, but Many Still Left Behind

In May 2014, the U.S economy hit an important milestone – the total number of jobs in the economy again reached the level achieved prior to the recession, more than six and a half years ago. As of August 2014, we have now had 53 consecutive months with private sector payroll growth.

While justly celebrating this progress, it is important to acknowledge that we have a long way to go before we can stop worrying about job growth. Because people enter the labor force each month, we must more than replace the number of jobs lost in order to maintain constant levels of employment. The Hamilton Project at the Brookings Institute calculates that we still have a shortfall of 5.7 million jobs to bring employment rates up to pre-recession levels.

Some groups face particularly high unemployment rates, including Hispanics (7.8 percent), blacks, (11.4 percent), adults with less than a high school degree (9.6 percent) and teenagers (20.2 percent). For black teenagers, the unemployment rate is 34.9 percent, down nearly 6 percentage points from one year ago, but still unacceptably high.

In addition to unemployment, many low-wage workers struggle with underemployment – some are not laid-off, but find their schedules cut until they have very few remaining hours of work. In December of 2007, the Bureau of Labor Statistics reported that 4.5 million workers were working part-time “for economic reasons” – because they could not find full-time work or due to “slack work” conditions. By March of 2010, this number had doubled, with 9.1 million people working part-time involuntarily. The number of involuntary part-time workers remains elevated, with 7.4 million workers struggling with this situation in July 2014. When workers’ hours are involuntarily reduced, they may struggle to make ends meet and to afford the
supports that enable them to go to work, such as child care and transportation.

A significant number of the unemployed have been without jobs for a lengthy time period. While in 2007, 1.2 million people were unemployed for 27 weeks or longer, 6.4 million were experiencing such long-term unemployment by 2010. In July 2014, 3.2 million people had been unemployed for 27 weeks or longer. Another 741,000 workers are discouraged, meaning that they would like to work, but have stopped looking because they don’t believe jobs are available. Studies have shown that unemployed workers find it increasingly hard to secure jobs as the duration of unemployment increases and that even when they are re-employed, long-term unemployed workers continue to earn less than similarly situated workers without the same unemployment history. These lower wages are a result of employees accepting lower-paying jobs, employers offering lower wages to the long-term unemployed, as well as declines in human and social capital over the period of unemployment. With the expiration of federal extended unemployment benefits, long-term unemployed workers are particularly vulnerable.

**Job Quality is Worse than Before Recession**

The climb out of the recession has been termed a “low-wage recovery.” Recent analysis shows that job growth over the past four years has been concentrated in lower-wage industries, where 22 percent of job losses during the recession occurred, but where 44 percent of employment growth has taken place since 2010. These industries, in which workers struggle to get by, employ 1.85 million more people than they did before the recession. While 2014 has seen some acceleration of employment growth in higher-wage industries, between July 2013 and July 2014, lower-wage industries still accounted for 41 percent of employment growth, according to an analysis by the National Employment Law Project.

Industries that pay low wages – and often lack other job quality markers, such as paid sick days, health insurance, and predictable schedules – are driving the growth in low-quality jobs. These include food services, administrative and support services, and retail, which accounted for 39 percent of private sector job growth in the past four years. A recent analysis by the U.S. Conference of Mayors finds that the average annual wage in the sectors that have added jobs since the recession (primarily services sectors) is 23 percent lower than the average annual wage in sectors where jobs were lost, such as manufacturing and construction. Wages in these growing sectors are getting worse, not better. Over the past four years, wages have declined for workers in all of the top ten lower-wage occupations, including declines of more than 5 percent for personal care aides, restaurant cooks, food preparation workers, maids and housekeepers, and home health aides – occupations that employ millions.

Similarly, access to employment-related benefits has declined in recent years. Employer-provided health insurance coverage has declined over the past decade, particularly for low-wage workers. According to one analysis, workers in the bottom 20 percent of wage earners have seen employment-based coverage decline by 5.5 percent since 2003, from 31.4 percent of workers to just over a quarter of workers in 2010. Access to employer-provided retirement benefits also continues to decline; in particular, fewer employers are offering traditional defined benefit pension plans. In 2013, only 16 percent of private industry workers had access to defined benefit plans, with 59 percent having access to defined contribution plans instead. Lower-wage earners are particularly affected by the continued roll-back of employer retirement plans. Just in the past four years, access to retirement benefits has declined by 5 percent for those in the lowest quartile
of wage earners, while it has declined by only 1 percent for those in the highest quartile.\textsuperscript{\textit{xi}}

Access to paid leave, such as paid sick days and paid family and medical leave, is a crucial facet of job quality. These protections enable workers’ to care for their own and their families’ health needs, as well as to forge important bonds with new babies, without losing all of their wages or their jobs. No federal law requires employers to allow workers to earn paid sick time or paid family and medical leave, leaving access to these protections to employer discretion. Those who most need paid leave – the lowest-paid workers – are least likely to receive access. Many employers do not provide their workers with paid leave, and a considerable number do so only for higher-wage workers, or those working in full-time salaried positions.\textsuperscript{\textit{x}} In recent years access to paid sick time has declined slightly for those in the lowest-quartile of wages, while increasing for those in the top quartile. In 2009, 33 percent of low-wage workers received paid sick days, compared with 81 percent of higher-wage workers. In 2013, only 30 percent of lower-wage workers were able to earn paid sick days, while 91 percent of higher-wage workers can take time paid away from work to deal with illness.\textsuperscript{\textit{xxi}}

Access to paid family leave remains limited for low-wage workers, meaning that many must take unpaid leave when a new baby arrives or a family member requires care. Still others must return to work almost immediately after such events, or quit their jobs, facing unemployment. Many low-wage workers continue to have no access to paid leave of \textit{any kind:} in 2013, nearly half of workers in the lowest 25 percent of wage earners had neither paid personal leave, nor sick leave, nor family leave, nor vacation; this is up from 41 percent in 2010. Virtually all higher-wage workers have at least one of these types of leave.\textsuperscript{\textit{xxii}}

Many low-wage workers receive little notice of their schedules, which often vary from week to week in number of hours and timing of shifts, making budgeting and planning extremely difficult.\textsuperscript{\textit{xxiii}} A recent study found that among early career workers (ages 26 to 32 years) in hourly jobs, more than 40 percent report receiving one week or less advanced notice of their job schedules for the upcoming week. Half of these workers have no input into their schedules and three-quarters experience fluctuations in the number of hours they work, with hours varying by more than eight hours per week on average. Parents of young children, who need predictability and flexibility to manage caregiving responsibilities and arrangements, experience high rates of precarious schedules. The data show that nearly 70 percent of mothers and 80 percent of fathers of children 12 or younger who work in hourly jobs receive hours that fluctuate by up to 40 percent.\textsuperscript{\textit{xxiv}} About six out of every ten workers in the United States are paid hourly.\textsuperscript{\textit{xxv}}

Perhaps most alarming is the possibility that job quality declines are not solely a function of the economic crisis, which will reverse as the economy continues to recover. Rather, the decline in job quality that we have witnessed in recent years is, at least in part, a reflection of long-term trends. Some evidence suggests that recessions may cause employers to restructure jobs in ways that last long after the economy has recovered, such as the increasing use of temporary workers in manufacturing jobs that began in the early 1990s.\textsuperscript{\textit{xxvi}} Recessions can also accelerate transitions that would otherwise have occurred over longer periods, such as the elimination of secretarial and clerical positions in offices.\textsuperscript{\textit{xxvii}}

To reverse these trends and address the fallout from years of decline, we need to enact new policies and strengthen existing ones. CLASP makes the following policy recommendations to support a labor market characterized by full employment and high-quality jobs.
Recommendations

1. Promote Macro-Economic Policies that Support Job Growth
   - Congress should avoid job-killing spending cuts and political brinkmanship. The arbitrary caps on domestic discretionary spending and automatic across-the-board spending cuts known as “sequestration” have slowed economic growth and could ultimately undo job growth as federal cuts cascade down into communities – particularly those that are most vulnerable. The 2013 Ryan-Murray deal partially replaced the sequester for Federal fiscal years 2014 and 2015, but it will come roaring back in 2016 unless Congress acts. Congress should repeal sequestration and multi-year appropriations caps and replace them with a balanced deficit reduction package that includes both new revenues and targeted spending cuts. Congress should find a long-term solution to fund the highway trust fund, which supports hundreds of thousands of infrastructure jobs. And Congress should permanently resolve the debt ceiling, rather than using it as a “political football” and risking default on our obligations and debts.
   - The Federal Reserve should use full employment as a goal for monetary policy. The Federal Reserve uses interest rates to expand or contract the monetary supply, which greatly affects economic growth and employment. If the Federal Reserve tightens monetary policy because of fears of inflation, this will directly--and negatively--impact the labor market.

2. Provide targeted attention for those being left behind
   - Restore, protect, and enhance Unemployment Insurance (UI) benefits. Millions of Americans remain unemployed, with nearly a third of the unemployed out of a job for more than six months. Congress should restore extended UI benefits, which expired in December 2013, to support these workers as they seek new employment. Furthermore, states that currently provide extended benefits should continue to do so until employment levels stabilize. Finally, UI rules should be reformed to better meet the needs of the significant number of workers who have volatile schedules, are working part-time involuntarily, and/or who have to leave work due to compelling family circumstances. States that do not already have them should adopt more generous partial benefits rules for underemployed workers and general “good-cause” provisions for voluntary quits or discharges.
   - Support training programs to connect disadvantaged workers to high-quality jobs. Education and training can lift people out of poverty. For millions of low-skilled and disadvantaged youth and adults in the United States, many of whom were struggling even before the recession, greater economic opportunity rests on their ability to access education and training that can help prepare them for college and career success. Research and evaluations of job training programs for adults find that “a postsecondary education, particularly a degree or industry recognized credential related to jobs in demand, is the most important determinant of differences in workers’ lifetime earnings and incomes.” The recently-passed Workforce Innovation and Opportunity Act (WIOA) better enables states and communities to meet the education and training needs of low-income workers by improving connections to employment and training opportunities that will lead to economic prosperity. Still, more work is needed to address the capacity of the workforce development system, including its ability to achieve the full promise of the WIOA reforms.
   - Create subsidized and transitional jobs for youth and adults. Subsidized and transitional
jobs stabilize individuals and families by enabling them to earn needed income, re-establish connections to the workforce, and gain the experience and work history needed to find future employment. Such jobs also stimulate local economies by putting money in consumers’ pockets, while boosting productivity for employers participating in subsidy programs. These programs create much-needed supports for at-risk youth and adults. CLASP urges Congress to provide funding for a national subsidized and transitional jobs program. States and counties may also support such programs with funds from the Temporary Assistance for Needy Families (TANF) block grant, with Workforce Investment Act funds, or from state and local sources.

3. Improve labor market standards
   - **Pass public policies to guarantee higher-quality jobs.** Today, many workers depend on their employers to voluntarily pay them a fair wage, allow them to earn paid time away from work to care for their families or recover from illness, or engage in fair scheduling practices. While some high-road employers (conscientious employers with policies that adequately protect and compensate workers) do protect their workers by ensuring they have these rights, far too many do not. That’s why it’s crucial to pass public policies establishing key labor standards that raise job quality and help workers make ends meet – including minimum wage, earned sick days, paid family and medical leave, and protections against scheduling abuse.
   - **Step up enforcement of existing laws and rules.** We need to enforce minimum wage and overtime laws; rules against wage theft, misclassification of employees, and unsafe working conditions; and provisions of the Family and Medical Leave Act (FMLA). All levels of government should take steps to ensure that existing labor standards are being effectively enforced. In addition, government agencies responsible for implementing labor laws should step up outreach efforts to ensure workers know their rights. Sufficient funds should be allocated for effective enforcement and outreach.

4. Reward good employers and penalize bad ones
   - **Raise standards for federal contractors and other employers receiving government funds.** Recent executive orders have taken steps to ensure that federal dollars are directed toward higher-road employers. For example, administrative actions requiring federal contractors to raise their minimum wages, disclose past labor law violations, establish equitable pay standards, and refrain from discriminating against workers based on sexual orientation or gender identity are important steps in the right direction. Further actions could extend to other aspects of job quality, such as paid leave, part-time parity, and fair scheduling. Similarly, economic and workforce development incentives should be directed toward high-road employers.
   - **Draw attention to high-road employers.** Elected and other government officials, as well as advocates and organizers, should highlight employers that are doing well by their employees – and in the marketplace. By raising the profile of employers with high standards, consumers can gain the information necessary to vote with their dollars.

5. Promote work supports that reflect the realities of today’s labor market
   - **Expand access to child care subsidies and other early education programs.** Child care is a critical support for workers. In the vast majority of families, all parents are working outside of the home. To sustain parents’ abilities to work, we need child care subsidy policies that reflect the realities of jobs in many of today’s fastest growing industries, particularly non-standard and variable hours. Improvements to
the low-wage job market are needed to address unstable and unpredictable work schedules. But in the meantime, states can improve child care subsidy policies to support increased stability in child care for children despite unstable working conditions for parents. xxxvii States can adopt a number of strategies including more flexible authorizations that account for temporary changes in parental employment or earnings; year-long eligibility for child care subsidies that does not require interim reporting; and not requiring the hours of authorized care to match parents’ work hours to allow children more continuous access to child care settings. In addition to child care subsidy policies, expansions in Head Start and state pre-kindergarten programs can support the care of children of parents with variable work schedules as eligibility is not linked or dependent on parental employment.

- **Reduce paperwork and streamline access to benefits for workers.** Some income and work support programs impose unnecessary burdens on workers with variable hours, requiring them to report and document every change in hours. States should use their flexibility to disregard minor fluctuations in hours and to extend recertification periods. Moreover, states should align policies across programs as much as possible to reduce the burden on both clients and caseworkers. xxxviii Programs with work requirements, such as the Supplemental Nutrition Assistance Program (SNAP) and cash assistance under TANF, should not penalize recipients for failure to meet participation requirements when this failure is due to fluctuating hours of work that are beyond recipients’ control.

- **Make Permanent the Improvements to the Child Tax Credit (CTC).** The Child Tax Credit is a credit of up to $1,000 per child that recognizes the cost to parents of child rearing. It is refundable, meaning that it is available even to families who do not have federal income tax liability, and does not begin to phase out for a married couple family until earnings exceed $110,000. The 2009 American Recovery and Reinvestment Act allowed workers with children to begin to benefit from the Child Tax Credit when they earn as little as $3,000 a year. Even with this improvement, in 2011, 28 percent of children whose parents work were in families that did not get the full credit because the parents earned too little. If this improvement is not made permanent, starting in 2018, families earning less than about $13,000 will entirely lose the benefit of this important credit and even more families will get only a partial credit. xxxix

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2 Economic Policy Institute, “Key Findings”, The State of Working America, 12th Edition, http://stateofworkingamerica.org/fact-sheets/key-findings/. Although productivity has increased by more than 22 percent in 2010, typical wage earners made about the same amount per hour as in 2000.
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Ben-Ishai et al., Scrambling for Stability.
