

Moving Up or Moving Out Authors: Andersson; Holzer; and Lane Published 2005

A tedious read I would not wish on anybody. Using LED data the authors track low wage workers through their employment history over a decade long period of 1993 – 2003. Low wage workers are defined as those making \$12,000 a year or less.

Major findings:

1. *There is considerable mobility out of low earnings status for prime-age adults who have been low earners for at least three years.* Caution: the definition the writers use for moving out of low wage work still leaves the worker earning less than \$15,000 per year. White males fare better than other cohorts. Females in all groups have a harder time moving out of low wage status – the gap is widest for white females versus white males.
2. *Transitions out of low wage earnings are associated with subsequent employment in high-wage industrial sectors, larger firms, firms with lower turnover, and, especially, high wage firms.* Well, duh! This is really logical what is interesting is that it holds no matter what group is being discussed. What is challenging is that we have seen more declines in good manufacturing jobs and more pressure on wages overall in this competitive economy making it all the more difficult to find these good types of jobs. Also it is clear that geography makes a big difference with rural areas having fewer opportunities.
3. *Those who change jobs transition out of low wage earning much more frequently than those who stay in jobs.* I translate this to mean that it is generally not productive to stay with the same employer but to gain some work experience and use that to get into a higher paying, more stable sector. The aggregate numbers show this is the case but individually, it is not that simple and many other factors come into play.
4. *Early work experience at a temp agency is associated with higher subsequent earnings for initial low earners, as is the accumulation of tenure more broadly.* The authors posit that workforce intermediaries can play a positive role in this regard.
5. *There is a great deal of heterogeneity across firms, even within detailed industries and states, in the hiring and advancement opportunities of low earners.* Essentially the sectors and industries that provide “good” jobs can be identified from past performance. The authors note that low wage earners are typically located further away from good job opportunities than are non-low wage earners, and their commuting behavior is more limited (low wage earners tend to stay closer to home for jobs). So geography in a different way plays a role.

The analysis tried to identify what they call the “person fixed effect” meaning personal skills but they note that they don’t have this down fully – they have not been able to capture the range of personal characteristics that matter to employers. But they find that access to high-wage firms is a critical part of the process by which low wage workers make progress in the labor market.

What this Means for Us

I did not find anything startling new in the book. I think this confirms what we have been saying about low wage workers. What does strike me is how little movement there really is. Since the target for moving out of low wage status was pegged at \$15,000 per year, there is still the chance that many people who by the authors’ definition move out of low wage earner status, are still very close or still in poverty. It is a sobering thought.

While pretty obvious, the finding that getting into a high-wage industry leads to increased earnings has some implications that reinforce the sector strategies that are underway and definitely point to how post employment assistance can help low wage earners get some work experience and then move into a better industry e.g. starting out in retail and then moving to another sector where there is more advancement potential. Since we have a system that is so focused on work first and so many places that leave an individual on their own after that first placement, the findings point to a need for more coherent and intensive post-employment support to help low wage earners determine what sectors provide better opportunities and how to access them.

In Pennsylvania, where there is such a strong emphasis on sector initiatives, the focus has been on incumbent worker needs. The pay-off has been positive. This is one reason why Pa. has moved from 40 something to 5th in job creation. But what is interesting is that this interest in incumbent worker training and organizing employers around these issues is leading to the employers themselves raising the issues of how do we now tap into other segments of the labor pool (older workers and welfare leavers) since they are facing worker shortages in some industries. The point is - organizing the employers for one purpose allowed them to move themselves to a different focus that benefits other groups.

So if we are working with low wage earner policy makers, we have a couple of lessons. First, do the analysis of which industries are in growth and present progression potential (this can be done with LED). Ensure there is post-employment support to help people navigate from initial jobs to better industries. And work with employers collectively (a la sectors initiatives) to help the employers match up with the low wage earners who can fit with their needs. Easier said than done but still good lessons to keep in the back of our minds.