

Underemployed and Low-Wage Workers: The Message, Policies, and Strategies

Background

The United States is one of the wealthiest countries in the world. Thanks to a combination of abundant natural resources; a stable political environment; a tax and regulatory climate conducive to entrepreneurship and business growth; a history of investments in research and development; universal compulsory school attendance; and freedom to pursue any level of education or type of job one wants (at least for white males, but more recently in our history for all), America has indeed been a place where hard work can lead to great wealth.

However, there are segments of our society who have not been able to prosper in a prosperous land. These include:

- **The underemployed.** Traditionally defined as employed persons who want, and are available for, more hours of work than they currently have, we are expanding the concept to include employed persons who work full time, but earn below what would be expected for their education and ability level. Bachelor degree holders working at jobs that only require a high school diploma are an example.
- **Low wage workers.** Low-wage workers include the working poor. According to the U.S. Census Bureau, about 7.7 million people were classified as “working poor” in 2005. The rate was higher for women than men, and higher for blacks and Hispanics than whites and Asians. However, “working poor” doesn’t begin to describe the extent of the problem, since individuals may be above the federal poverty level and still not be self-sufficient. We are taking a social inclusion approach to defining low wage worker, meaning any worker in a job [1] that pays substantially less than the job held by a typical male worker; or 2) pays X% below the median wage.] These individuals may be underemployed, but may also be individuals who are employed as best possible with their current education and skills level, but that level is insufficient to achieve a middle class income.

News reports frequently bemoan the disappearance of the middle class, but it isn’t middle class jobs that are disappearing. The problem is that the education and skills needed for those jobs have changed and increased, but our expectations have not. “America’s Forgotten Middle Skill Jobs”¹ points out that about half of all employment today is still in the middle-skill occupations; that nearly half of all jobs openings up to the year 2014 will be in middle-skill occupations; and that the demand for workers to fill those jobs is like to remain robust relative to supply.

¹ Harry J. Holzer, Georgetown University and the Urban Institute; Robert I. Lerman, American University and the Urban Institute; November, 2007

Unfortunately, a high school degree is no longer sufficient to compete in an evolving labor market. What's more, the notion that education begins at age 5 and ends at age 18 is an outdated perspective that sends a dangerous message about the adequacy of a post-World War II era concept of knowledge and skill development.

There is a growing body of research illustrating the significant effect of educational attainment on income levels, and the pathways created through education to secure, high-paying jobs. According to the U.S. Census, the difference in lifetime earnings between individuals with a high school diploma and those with "some college" is \$.3 m. The difference between those with "some college" and those with an associate degree is \$.1m., and between associate degree and bachelor is .5m. Interestingly, the smallest gain in lifetime earnings between levels is between "some college" and associates degree. This means that obtaining a one year vocational certificate can be nearly as effective as a two-year degree, and acquired at much less cost and effort. The key factor may not be the number of hours of postsecondary education, but rather securing a *credential* of skills mastered. The Washington State Board for Community and Technical Colleges has recently found that 30 hours of post-secondary education can increase wages by nearly \$8,000. Furthermore, according to the state of Maine, individuals with an associate's degree earn on average \$10,000 more than individuals with just a high school degree.

Currently, several states are developing and implementing programs that are illuminating the importance and achievability of higher education for vulnerable populations. Maine has recently instituted two innovative programs designed to make college education more accessible and to improve perceptions of education. The Opportunity Maine program reimburses the college education costs of students who continue to live and work in Maine, while Parents as Scholars attempts to demonstrate that family stability can be best achieved through increasing the education levels of parents. Similarly, programs in Kentucky and Arkansas have demonstrated that increased education for non-traditional students can achieve the same income gains and improvement as for traditional students.

Private sector initiatives have also been initiated. SkillWorks in Massachusetts is a funding collaborative that supports partnerships of service providers, employers, policymakers, and funders in experimenting with ways to help low-wage workers progress toward self-sufficiency. Innovative strategies for low-skilled incumbent workers have included engaging employers to act as advisors for their lower-skilled workers; keeping the same career coach for individuals both before and after they obtain employment, and college courses offered at work sites, and mapping of new employer-specific career ladders.

Nationally, the Workforce Alliance's Skills2Compete Initiative is working to make a two year secondary degree the standard for all workers, creating a new basic education guarantee in the process. While the New Innovators network supports that advocacy campaign, we feel it is but one strategy among many to move this issue.

The Problem

Too many hard-working underemployed and low-wage workers lack the education and skills necessary to achieve self-sufficiency and middle class income, while too many middle-skill jobs that could provide that income go unfilled. The result is lower personal wealth for individuals and lower productivity for businesses, impacting the overall prosperity and quality of life of the nation.

Root Causes

The root causes of the problem are many. They include:

◆ Attitudes:

- Lack of desire or self confidence to engage in lifelong learning.
- Lack of respect for educational pathways that do not lead to a four-year college degree.
- Lack of respect for jobs that are not considered “professional,” such as the skilled trades.
- Culture (families may discourage participation in higher education).

◆ Awareness:

- Lack of awareness of the occupations that can provide a middle class income. Technology has created tremendous growth in technical occupations that didn’t exist when most workers were in school.
- Lack of awareness by the general public that the education and skills bar for reaching self-sufficiency and middle class status has been raised.
- Lack of awareness of the variety of pathways for obtaining credentials that will lead to a middle-skill job.

◆ Inadequate access to postsecondary education. Inadequate access may be due to:

- Cost (the Skills2Work campaign is attempting to address this cause). The cost of postsecondary education is rising much faster than personal income, and postsecondary education is competing for public resources with health care, prisons, care for the aged, the military, and other demands);
- Time (balancing the demands of family and work);
- Adequate supports (child care, transportation, counseling, tutoring, etc.). According to an MDRC report, the current take-up rate of full support services for qualifying individuals in some areas is as low as five percent. While there are supports available to working families and individuals, many workers are either discouraged by the service delivery system or are unable to access the available supports, including EITC, child care and housing.

- Additionally, the funding mechanisms of financial and educational supports limit benefit access by eligible recipients; and
- ◆ **Educational system structure.** Individuals with some coursework or credentials are often unable to transfer credits and are forced to repeat time-intensive and expensive coursework. Similarly, credentials and credentialing processes are not standardized across industries and across states.
 - ◆ **Employer practices:**
 - Employers who do not pay more for individuals who possess skill certifications versus those who do not reinforce the belief that certifications are not necessary.
 - Employers who do not raise the wages of workers who obtain additional education and skills that make them more productive convince workers that added skills offer them no added value.
 - Employers who cut training budgets first when times are tight demonstrate a lack of regard for skill development.
 - ◆ **Public policy:**
 - Limited financial aid for part-time students;
 - College scholarships that are solely connected to academic prowess, and totally unconnected to training for occupations in demand;
 - Work participation requirements for TANF and inadequate funding of TANF and food stamp education and training activities;
 - Individualized training account and participation limits set by workforce boards for WIA programs;
 - Siloed funding streams and eligibility requirements that make it difficult to assemble the resources and supports needed for individuals to succeed;

The Work

The New Innovators seek to be tactical and practical. Our work will include:

1. Using national data as a starting point to research and baseline local data around the issue for our respective regions.
2. Cataloging strategies and best practices. Rather than proscribe strategies, we will develop a menu of possibilities that other regions and states may select from in a way that best meets their unique circumstances. The menu will be organized around the major areas of root causes.
3. Identifying and closing gaps where underemployed and low-wage workers fall through the cracks and fail to advance to higher level jobs.

4. Identifying funding sources -- a resource map of funds that can be applied to advancing the underemployed and low-wage worker, both national as well as unique to our respective regions.
5. Developing and utilizing a common media message that demonstrates shared concern about this issue by the New Innovators, and that additional workforce boards around the nation can adopt.
6. Educating our communities and generating support for strategies.
7. Implementing strategies in our regions.
8. Recruiting other workforce boards to adopt strategies.
9. Documenting changes in attitudes, awareness, access to postsecondary education, educational system alignment, employer practices, and public policy as a result of our actions.
10. Documenting change in the baseline data.