Opportunity and Advancement for Low-Wage Workers

New Challenges, New Solutions

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Political and economic developments in the 1990s sparked a dramatic shift in the national debate about work and poverty. A new concern superseded the long-standing focus on how best to reduce individual dependency on government; the question became how to get significant numbers of people off welfare, out of unemployment, and into jobs. In the policy arena, welfare reform moved work onto center stage, replacing an entitlement to cash support. In the economic realm, a decade of tight labor markets made employers more receptive to public policies that would help them find qualified workers.

The speed with which welfare rolls shrank and the employment of former beneficiaries increased surprised many, regardless of their views on the new welfare policies. Since 1994, welfare rolls have dropped by more than 50 percent nationwide and by as much as 90 percent in some states. More than half these women—and almost all those coming off welfare are women—have moved into unsubsidized, paid employment. That is, some 800,000 people have made the transition from welfare to employment as a result of the felicitous combination of a strong economy and changes in public policies.

Yet the very success of work-centered welfare reform in getting people off welfare and into jobs has brought another, more difficult challenge into sharp relief: For many people, getting into work doesn’t mean getting out of poverty. Recipients who leave welfare typically find jobs that pay between $6 and $8 an hour, well below the income needed to bring a family of three above the federal poverty level. Moreover, there is little evidence of significant wage increases for those who stay employed, even after three years.

This does not mean that welfare reform has failed: About half of former welfare recipients believe that the quality of their lives has improved, even if their economic situation has not. It does underscore that access to employment—even in the nation’s most robust economy in over 30 years—is an insufficient solution to poverty.
As the debate over welfare dependency has cooled, the question has become how to help hardworking Americans find their way out of poverty through work. As welfare recipients join the ranks of the employed, it becomes difficult to distinguish them from the millions of other working Americans whose family incomes are inadequate. Today, fewer than 2 million Americans head families that receive welfare benefits, yet over 9 million working Americans earn less than the official poverty level—and one out of four of these individuals works full-time, year-round.

Serious challenges face all low-skill workers in today’s economy. Entry-level workers cannot easily advance out of poverty simply by staying on the job and moving up through seniority. Traditional routes to advancement for low-skill workers, such as career ladders inside large firms and union-negotiated wages, have become less common. More and more often, employers outsource their low-wage jobs and hire externally for mid-level jobs that they once filled from within. The proportion of American workers who belong to unions has been declining for decades, weakening one of the sources of good wages for relatively low-skill workers. And growing technological complexity and changes in work organization have made a person’s skill and educational credentials increasingly important to success—and earnings—in the labor market.

Together, these changes in the structure of employment and the labor market make it difficult for less-skilled workers to earn an income that can support a family. Real wages of workers with a high school diploma or less dropped precipitously in the 1980s and remain lower than they were in the mid-1970s. During the 1990s, a decade of exceptional productivity growth and profitability, income inequality also grew markedly. While incomes of better-educated workers rose, earnings for those in the lowest deciles of the employment distribution began to rise only late in the decade. Today, too many Americans, despite working hard, find it difficult to escape jobs that pay too little, provide minimal benefits, and offer limited security and opportunity for advancement.

Low-Wage Workers in the New Economy is about the men and women for whom the American Dream remains out of reach. It is about the challenges they face in pulling themselves and their families out of poverty through work. Most important, it is about strategies for helping working Americans advance—the policies and practices that can make a real difference in the ability of low-wage workers to support their families, choose their futures, and contribute more fully to society and the economy.

AN EMERGING CONSENSUS

Most of the chapters in this book were prepared initially for a national conference, Low-Wage Workers in the New Economy: Strategies for Opportunity and Advancement. Organized by Jobs for the Future, the May 2000 conference was sponsored by a remarkably diverse coalition of national business, labor, civil rights, and governmental organizations, including the AFL-CIO, National Association of Manufacturers, National League of Cities, National Governors Association, National Urban League, Urban Institute, and Welfare to Work Partnership. Over 450 policymakers, practitioners, and researchers gathered in Washington, D.C., to:
• Synthesize and expand knowledge on practices and policies to help low-income individuals achieve long-term economic self-sufficiency;
• Expand the network of organizations and individuals working to create more effective workforce and employment policies and programs; and
• Stimulate the demand for national and state policies that can benefit low-wage workers, their employers, and their communities.

In preparation for the conference, Jobs for the Future asked experts on workforce development, welfare, education, and income and tax policy to synthesize existing knowledge or report on original research. Their papers, along with additional chapters written since the conference, present a rich and provocative analysis. They describe the extent and contours of the challenge facing our nation’s working poor. They draw lessons from practice and policy about promising approaches to helping low-wage workers advance into the economic mainstream. And they recommend both principles and specific policy interventions for state and federal policymakers.

There are powerful commonalities in the analyses and prescriptions presented here. Most of the authors recommend a multifaceted set of approaches and policies to helping low-wage workers advance. They acknowledge the complicated combination of challenges facing many low-wage workers that stem from limited skills and educational credentials, obstacles to steady work that are a function of being poor, and the characteristics of the jobs they can obtain. Moreover, in response to these issues, most of the authors propose policy priorities that draw from a generally shared combination of options:

• Skill development that can help entry-level workers advance;
• Child care and other supports that can help workers stay on the job longer;
• Income supports that make low-wage work more rewarding; and
• Economic development strategies that promote the creation of higher-quality jobs.

As a group, the authors acknowledge that evidence is thin on the most effective mix of practices and policies to help low-wage workers move up to better opportunities for work and income. As a result, there are sharp differences of opinion among them on the best ways to invest scarce resources and political capital. Some authors put skill development above all else; others emphasize the need to raise wages at the low end of the labor market; still others focus on nonskill supports that can keep people employed so they can develop skills and advance to better jobs.

At the same time, all the authors share a strong belief that a confluence of factors makes new alliances possible for a coherent policy agenda designed to help low-income families enter and stay in the economic mainstream. If progress is to be made, they argue, now is the time. Employers remain hard-pressed to find qualified employees for many jobs. Welfare has receded as an emotional hot button. The past decade’s coupling of great wealth creation with unequal distribution of its benefits has added urgency to calls for improving opportunities for low-wage workers to advance.

Moreover, the American public feels strongly that those who work hard and contribute to the best of their ability should earn enough to stay out of poverty. According
to a national survey released at the conference, this issue cuts right to the heart of the American sense of fairness. More than 90 percent of Americans believe that those who “work hard and play by the rules” should be able to support their families through their work. And the same survey found signs that the current strong support for welfare reform is contingent upon whether people believe that former recipients can escape poverty through work.

Support for this agenda extends beyond the public. Important allies can also be found in the business community and among state and federal economic policymakers. Around the country, employers say that finding and keeping qualified workers is one of their most pressing problems—even in a cooling economy. The mismatch between the needs of employers and the skills of available workers is so serious that economic policymakers fear it may constrain future productivity growth and economic performance.

Last year, Federal Reserve Chairman Alan Greenspan highlighted the need for greater and more effective investments in worker training in order to avoid labor shortages and bottlenecks that can stifle economic growth. And he went further, noting that simply matching low-skill workers with low-productivity, entry-level opportunities is insufficient. “It is not enough,” he said, “to create a job market that has enabled those with few skills to finally be able to grasp the first rung of the ladder of achievement. More generally, we must ensure that our whole population receives an education that will allow full and continuing participation in this dynamic period of American economic history.”

We assembled *Low-Wage Workers in the New Economy* because of our strong belief, generally shared by the authors, in the need for a concerted national effort to help bring less-skilled and disadvantaged workers and their families into the mainstream of the U.S. economy and society. It is a logical next step for the policy agenda that began over a decade ago with state-level welfare reform initiatives. Such an effort can be a “win-win” situation for families who have benefited least from a decade of expansion and for an economy, characterized by continued productivity and growth, that is our country’s single, best antipoverty policy. It can elicit the support not just of low-wage workers and their advocates but also of employers desperately seeking qualified workers and a society eager to sustain high levels of productivity growth and prosperity.

**PRINCIPLES TO GUIDE POLICY INITIATIVES**

What would be the core principles of a concerted campaign to help increase economic opportunity for low-skill and low-wage workers? A synthesis of views emerging from the contributors to *Low-Wage Workers in the New Economy* yields six principles to guide federal and state policymakers:

- *Keep work central.* Work should be the primary goal of social policy. All those who can work should be helped to enter the labor market—and succeed in it. Macroeconomic policies that keep unemployment and inflation low are critical to the tight labor markets that make it easier to keep work at the center of social policy.
• **Promote family-supporting work.** It is not enough to help people find any job. The quality of early work experiences greatly influences later employment and earnings. Policy should reward efforts to help less-skilled individuals obtain and advance toward high-quality jobs that can support their families (i.e., jobs with good wages, benefits, training, and other opportunities for advancement).

• **Invest in education and work skills.** In the long run, opportunities for education and skill development are critical to the ability of those outside the labor market and those already employed to advance in work and career. Traditional policies that help people secure an initial job must be augmented with policies that make it easier for working Americans to improve their skills and prepare for better jobs. This will require new strategies, such as incentives for employers to provide and support training; education models for those already working that promote lifelong learning and innovative combinations of learning and earning; as well as more effective partnerships among employers, unions, community-based organizations, and educational institutions.

• **Encourage individuals to stay employed and advance.** Employment policy should encourage and fund supports that can help disadvantaged people keep their jobs longer and build their human capital and work experience. Priorities include child care, transportation, employee assistance programs, health coverage, and other ways to help people cope with the challenges of sustained employment. In addition, federal and state governments should use tax and other policies to continue to find ways to reward work for low-wage individuals and families, including the earned income tax credit (EITC), earnings disregards for welfare recipients, and other work-linked income supports.

• **Encourage employers to hire, train, and support low-skill, low-wage workers.** Employers often take financial and productivity risks when they hire less-skilled workers or invest in improving these workers’ skills; frequently, they are unable to know in advance who will succeed on the job and who will stay long enough to justify the investment. Policymakers should encourage greater employer investment in their entry-level workforce through subsidies, incentives, and supports that make it less costly and easier for employers to take these risks.

• **Pursue advancement as a goal across education, work force development, welfare, and economic development policies.** New combinations of public- and private-sector education, economic development, and workforce development policies are needed to help low-wage workers become more productive and help employers who hire them improve the quality of available jobs. Workforce and welfare policies should connect to economic development and employer-targeted policies, such as policies that address the employment needs of particular regions, labor markets, and industries/sectors. Such policies should also be better aligned with those that govern access to and financing of postsecondary education. Public policy should continue to encourage local institutions that improve the market for education and training by connecting employers, labor, government, educational institutions, and community-based organizations for the benefit of local employers, workers, and job seekers.

These principles provide a general framework for action. The contributors to *Low-Wage Workers in the New Economy* go much further toward recommending specific policies to advance the agenda of greater opportunity for advancement for
low-skill and low-wage workers. Their work should serve as a resource in local, state, and national policy debates. We hope that it can guide the range of interested parties, including business and labor, federal, state, and local officials, education leaders, and community advocates, as they grapple with the next steps toward sustained productivity, economic growth, and the expansion of economic opportunity in our country.

LOW-WAGE WORKERS IN THE NEW ECONOMY

This book is organized into four sections. Part 1 sets the stage with an overview of the low-wage workforce and of the employers who hire them. Part 2 summarizes the evidence on strategies to improve workers’ skills, provide them greater supports on the job, supplement their wages, and develop assets that they can use as they seek to escape poverty. Part 3 focuses on the special challenges encountered by certain groups within the low-wage workforce: women, minorities, and immigrants. Finally, Part 4 assesses the potential contributions of three important institutions to expanding opportunity for low-wage workers: community colleges, employers, and unions.

Part 1—Who Are the Low-Wage Workers in the New Economy? Who Employs Them?

Part 1 of Low-Wage Workers in the New Economy presents a portrait of the working poor and of the labor market within which they seek employment and earnings. The authors of these three chapters take on a difficult task: characterizing the large group of low-earners in our economy, the jobs they hold, and the employers who hire them—and assessing their prospects for escaping long-term poverty. Who are our nation’s low-wage workers? Why are they unable to support their families through their work experience? Is the problem getting worse or better, in general and for specific groups of the working poor? These questions are critical: They hold the key to assessing the nature and the seriousness of the problem and to identifying the highest-leverage and most promising interventions and strategies.

Using data from the National Survey of America’s Families, Gregory Acs, Daniel McKenzie, and Katherin Ross Phillips generate a detailed portrait of the “working poor,” defining them as families whose earnings are less than twice the federal poverty level and in which the adults work an average of half time or more during the year. This definition recognizes the inadequacy of the federal poverty level as a measure of what it takes to support a family in the country.

Using their new definition, the authors estimate that one in six nonelderly Americans lives in a working-poor family. Although one-parent families with children are typically unable to make ends meet through work, almost two-thirds of the working poor live in families with children and at least two adults present. On average, the primary earner in a working-poor family works full-time, year-round.

What makes it hard for low-wage workers to advance out of poverty? These authors answer: The working poor are more likely to have young children, less likely to
be married, and tend to have significantly less education. Moreover, compared with the nonpoor who work, they tend to have jobs that pay far less for equivalent work effort, are less stable, offer fewer benefits, and are in occupations with lower status.

What policy priorities derive from this analysis? Acs, McKenzie, and Phillips argue that strategies to increase the hours worked by prime-age, able-bodied adults in working-poor families could help many more working families earn above 200 percent of the poverty level than would the modest increase in the minimum wage to $6.15 an hour that died in Congress at the end of 2000. They emphasize the value of child care, transportation, and other supports that can make it easier for people to work full-time, year-round. At the same time, they recognize the need for continued income supports, such as the EITC, to help working Americans earn enough to sustain a family over time.

Anthony P. Carnevale and Stephen J. Rose ask a similar set of questions: Who are the low-earners and how serious a problem do low wages pose to our economy? Using a different data source, the Panel Study on Income Dynamics, they can look at earnings trends over multiple years. Thus, they can assess the extent to which low-wage workers remain in poverty over time.

Defining low-earners more narrowly (i.e., those who earn $15,000, roughly poverty-level wages for a family of three), Carnevale and Rose discover a mixed picture. On the one hand, the percentage of long-term low-earners has declined significantly from about 30 percent of the workforce to perhaps 10 percent, which is generally consistent with the estimate by Acs, McKenzie, and Phillips that one in six nonelderly Americans lives in a working-poor family. The female workforce has made great progress over the years, as many women have gained access to higher-paying occupations and jobs. However, women, particularly those with children and with limited education, are also the most likely group to earn low wages in any given year and to stay stuck in low-wage employment over time.

Carnevale and Rose distinguish among groups of low-earners, from young workers living in nonpoor families, through adults who are the second wage earner in a family, to prime-age adults who are primary earners in their families. The authors estimate that while almost one-third of all workers earn below-poverty wages, one-third of these (about 10 percent of the workforce) are persistent low-earners who are responsible for the bulk of their families’ income. It is this group, skewed heavily toward women, that policy should be most concerned with helping.

Carnevale and Rose emphasize the importance of lack of education, combined with being a single-parent head of household, in keeping working people in poverty. They argue that policy should promote ways to make education and training more available and more affordable to low-wage workers, including policies for connecting low-wage workers to jobs that provide valuable training. They also advocate for concerted union efforts to organize low-wage jobs and occupations.

Paul Osterman describes and analyzes the labor market within which low-skill and low-wage workers seek employment and opportunity. He discusses the boundaries and size of the low-wage/low-skill labor market and identifies what is distinctive about it.

While cautioning that definitions of the size of this labor market—that is, the number of available jobs—are imprecise, whether based on educational requirements or on hourly wages, Osterman concurs with other estimates that between one-fourth
and one-third of all jobs pay low wages or are low-skill, and that about 1 in 10 workers is a low-wage employee living in a low-income family. Osterman warns that distinctions must be made between low-wage jobs that are way stations for young workers and those that offer little career mobility, for they play very different roles in generating and sustaining poverty. At the same time, he emphasizes that the scope of the low-wage labor market is quite significant and is not shrinking. Osterman notes the growing importance of soft skills in this labor market, as well as the continuing role of race in shaping employer hiring and recruitment decisions.

Consistent with his focus on the employers of low-wage workers, Osterman concentrates on policies that can change the nature of low-wage jobs and the behavior of low-wage employers. These include: a coordinated approach to minimum wage laws, hours laws, and health and safety standards that could improve job quality in low-wage jobs; union organizing targeted to low-wage sectors; the promotion of labor market intermediaries that negotiate with training institutions, employers, and government on behalf of low-wage workers; and incentives to employers to provide more training to lower-skill employees. In general, he argues, policy options and investments should be assessed on the basis of their ability to have an impact on large numbers of low-wage workers.

Part 2—Program and Policy Priorities: Strategies to Help Low-Wage Workers Advance

Part 2 summarizes the rich literature about and direct experience with programs and policies that help low-wage workers succeed in the labor market and advance out of poverty. These authors look at experiences from welfare-to-work experiments, workforce and economic development initiatives at the state and local levels, tax incentives, and other practices and policies. They highlight four approaches: (1) skill development for incumbent workers with low skills, particularly education and training approaches that can be pursued while working; (2) investments in child care, transportation, employee assistance programs, and other supports that can help people stay on the job longer, build an employment record, gain training, and move up to better jobs; (3) income supports tied to work and other financial incentives that make work more rewarding to those who cannot make ends meet on their wages alone; and (4) asset development to help low-wage workers accumulate savings they can invest in education, training, and other aids to economic security.

Historically, U.S. workforce policy has focused on helping people get their first job, under the assumption that through seniority and consistent employment, low-skilled individuals would climb toward wage levels high enough to support themselves and their families. There is widening recognition that this approach must be revised for today’s changed economy, in which advancement to better-paying jobs is more difficult. Experience upon which to set policy is thin, however. The authors of these chapters offer differing assessments of the mix of policies and programs that would best help less-skilled workers and their families secure middle-class jobs and incomes. For this reason, these authors make a particular effort to identify practices that appear effective or promising and to propose a combination of strategies that policymakers should pursue in concert.
One way to help low-wage workers succeed is to help them stay in early job experiences longer. To advance in the labor market, a person must stay employed long enough to gain experience and relevant training, perhaps build some savings, and make the personal contacts that help make it possible to move to another job. Yet for welfare recipients and other low-wage workers, turnover is frequently quite high and work can be a revolving door of short-term, unsatisfactory job experiences.

Anu Rangarajan draws on the four-city, federally funded Post-Employment Services Demonstration for lessons on organizing job retention services for those with weak attachment to the labor market. She highlights a number of themes echoed elsewhere in this volume, including the importance to job retention of the quality of the job placement (in terms of wages, working conditions, etc.); the need for flexible, individually responsive supports both in preemployment job preparation and once someone has found work; the value of financial incentives and wage supplements that can make work more attractive; and the power of mentoring and job coaching for less-skilled individuals.

Julie Strawn and Karin Martinson build upon these lessons on retention and go further to assess strategies for helping low-wage workers advance in earnings and careers. Like Rangarajan, Strawn and Martinson distill lessons from experience with welfare reform and from rigorous evaluations of welfare-to-work employment programs. They argue that the welfare-to-work research, while complex, can be summarized in a few broad axioms:

- Steady work alone is not a path to higher wages.
- Where someone starts in the labor market—her initial wages and occupation—matters for her future success.
- Postsecondary education or training is a key factor in who advances over time.

Strawn and Martinson conclude that it is possible to help low-income people move into better jobs—with higher pay or with better benefits than they would have secured on their own—even within a relatively short time frame. They present examples of promising practice in three areas: connecting low-wage workers to better jobs, upgrading skills while unemployed, and upgrading skills while working.

Still, success stories are the exception rather than the rule. According to Strawn and Martinson, replicating innovative programs will require significant changes in the way that services are delivered, changes that will require innovations in both policy and practice. To improve access to better jobs, they recommend strategies that promote better information on available jobs, engagement of employers who can offer higher-quality jobs, and performance goals for publicly funded placement agencies that reward job quality. To upgrade skills for the unemployed, Strawn and Martinson make suggestions for improving the quality of job training and work-related basic education and for making training more accessible to those without a high school diploma or GED.

Finally, to encourage skill upgrading for those already working, Strawn and Martinson emphasize the importance of partnerships with employers to provide training at or near the work site; more flexible hours for job advancement services (i.e., nights...
and weekends); and financial aid and supports that can help low-skill workers afford to upgrade their skills and earn educational credentials. Strawn and Martinson emphasize the importance of involving employers in the design and delivery of services, making occupational training accessible to those with low skills and to those who are working, and making it easier and more affordable for working people to earn postsecondary credits and credentials.

Charles Michalopoulos focuses on one particular strategy advocated by Rangarajan and by Strawn and Martinson: financial incentives that make work more attractive to former welfare recipients. He reviews evidence from 13 programs, all begun since the early 1990s, on how preemployment services and financial work incentives can promote sustained employment and earnings growth. Each program tested the impact of either preemployment supports or financial incentives on single-parent welfare recipients’ employment. Taken as a group, the studies suggest several lessons:

- Programs with financial work incentives can promote sustained employment.
- Programs that emphasize going to work immediately can promote sustained employment, but not all programs are equally effective.
- Programs that emphasize skill building through adult basic education can promote sustained employment, but the effects tend to be small.
- Sustained full-time work may be the key to increasing hourly wages.
- Preemployment services focused on getting people to work can result in earnings gains over time, but growth in earnings may be linked to sustained employment.

In recent years, interest has been growing in strategies for helping low-income individuals and families become more self-sufficient by accumulating assets. Many of these new models, such as Individual Development Accounts (IDAs) and Lifelong Learning Accounts, promote and reward individual savings that people can use to buy education and training services. Colleen Dailey and Ray Boshara survey a number of fledgling individual asset-building approaches, summarize lessons from community-level demonstration projects, and offer policy recommendations for creating a large-scale asset-building system for low-income workers.

Dailey and Boshara pay particular attention to the potential for and the many obstacles to making IDAs an employer-provided benefit. They note employer concerns about tax treatment of such accounts, rules that would make it hard to provide benefits to some workers and not others, and potential administrative burdens. They urge that policymakers not isolate asset-building strategies from workforce development initiatives, because these accounts can be a vehicle for combining private, public, and individuals’ funds to increase workers’ education and training options.

According to Dailey and Boshara, policymakers should incorporate three principles into their efforts. Asset initiatives should build upon existing efforts to help low-wage workers, such as the vouchers under the Workforce Investment Act, and should not undercut important policies, such as the EITC. They should be structured to encourage and reward employer commitment and investment. And they should be available to all low-wage workers, including temporary and self-employed workers, the unemployed, and those employed in traditional arrangements.
The responsibility for designing an effective mix of policies and practices that can help low-wage workers secure employment and support their families is primarily up to states. Federal workforce and welfare laws give states significant flexibility. States can decide to enact their own EITC or to target their economic development resources in ways that reward employers who help low-wage workers gain access to quality jobs.

Of course, the commitment of states to support and fund retention and advancement strategies for their low-wage workers varies greatly. Carol Clymer and her co-authors, Brandon Roberts and Julie Strawn, describe policy innovations in states that are particularly committed to helping low-wage workers advance out of poverty. While the authors acknowledge that state efforts targeted to low-wage workers are modest and new, they point to important innovations in several states—including California, Minnesota, Oregon, Texas, and Washington—that are trying to move toward flexible and balanced policies to help low-wage workers and their families improve their employment, skills, and income.

Clymer, Roberts, and Strawn identify three areas in which state innovation can be particularly valuable:

- Integration of skill development initiatives for low-skill working adults provided through state welfare and workforce systems;
- Policies that reward work by augmenting low wages; and
- Efforts to remove barriers to employment for the working poor, including child care, transportation assistance, and housing and health care assistance.

States that want to make this agenda a high priority can use their budgetary and regulatory authority to:

- Redirect resources to initiatives whose goals are retention and advancement;
- Establish performance measures that reward advancement, not just initial job placement;
- Consolidate service delivery in ways that promote greater efficiency and effectiveness;
- Engage business in ways that take employer needs and interests seriously; and
- Redefine eligibility for benefits or services to include the working poor, not just the unemployed or the welfare population.

Part 3—Different Strokes: Overcoming Barriers Facing Particular Groups

Part 3 looks more closely at the people who make up the low-wage workforce, differentiating among the experience of particular gender, race, and ethnic groups. These authors highlight particular challenges facing women and minorities in the low-wage labor market and suggest policies and practices to help these groups advance.

Harry J. Holzer is concerned that, on average, minorities in the United States earn less than whites and unemployment among them is higher. He assesses the relative impact of several different explanations for these labor market outcomes, which combine to make escaping poverty through work more difficult. Holzer concludes that
while the lower educational attainment of African-American and Hispanic workers clearly contributes to their labor market difficulties, it does not fully account for them. Even when they have comparable levels of education to whites, African Americans and other minorities earn less and are less likely to be working. Other factors must be considered, including residential segregation, subtle racial discrimination in hiring and advancement, and, for young minority men, the high rate of criminal activity and incarceration.

Based on this analysis, Holzer proposes policy directions that can help overcome the multiple barriers that less-educated minorities face in the labor market. He advocates for more attention to early education, basic skill development, and work experience for minority youth, because relatively low skills remain the most serious obstacle to their labor market success.

Holzer stresses the importance of improving physical access to jobs and to safer, more integrated neighborhoods. He also emphasizes the importance of comprehensive educational, employment, and training services for disadvantaged, out-of-school youth, especially ex-offenders and others needing a combination of job training, job mobility, job placement and assistance training, and perhaps work experience. Like Osterman, Holzer notes the value of labor market intermediaries in helping connect less-skilled individuals with employers and reducing the effects of persistent discrimination.

Holzer acknowledges that much remains to be learned about effective approaches to helping less-educated individuals succeed. He advocates for continued experimentation and evaluation in four areas: approaches to improving school quality and student performance; school-to-work transition models; work experience programs that can generate credentials of value to private-sector employers; and communitywide education and employment initiatives in low-income neighborhoods.

While Holzer addresses the problems of less-educated Latinos and African Americans, Sonia M. Pérez and Cecilia Muñoz argue that Latinos face particular labor market challenges that make it difficult for them to advance out of low-wage work. Low education levels keep Latino workers in lower-paying jobs and occupations. The changing structure of employment—particularly the decline of manufacturing, the expansion of the low-wage, limited-benefit service sector, and the collapse of career ladders within firms—limits the ability of less-educated Latinos to start at the bottom and advance out of poverty.

Moreover, Latino immigrants face a particularly serious set of barriers. Pérez and Muñoz argue that immigration laws and immigrant provisions in welfare and other laws undermine the workplace rights of immigrants, both legal and undocumented. They make it easier to discriminate against Latinos on the job and make it more difficult for Latino immigrants to gain access to safety net services that offer important income supplements to individuals and families trying to survive on low wages.

Pérez and Muñoz argue that the confluence of record levels of immigration and strong economic growth creates an extraordinary opportunity to address the challenges facing low-wage workers, including immigrant workers. They suggest a policy agenda designed to ensure that immigrant workers and their counterparts in the low-wage workforce benefit as much from their labor as the larger society does from their presence in the workforce. The authors’ recommendations fall into four broad areas:
• Investment in human capital;
• Improvements in job quality, including health benefits, training, and mobility tied to work;
• Support for Latino community-based organizations that can serve as intermediaries, can reach immigrants, and are trusted in the community; and
• Stronger protections for immigrants’ workplace rights and civil rights through changes in immigration laws and enforcement of equal employment opportunity protections.

Vicky Lovell and Heidi Hartmann examine the particular barriers facing women in the low-wage labor market, with findings that are consistent with those of Carnevale and Rose: The preponderance of persistent low-wage workers are women. Yet Lovell and Hartmann note that women experience the labor market very differently than men do. They work in different occupations, for a different number of hours per week, and take more time out of the workforce to care for their families. The result of this sex-based divergence is that women earn less than men during their working lives and their income is lower when they retire.

Lovell and Hartmann suggest that this is not inevitable. Effective public policy can mitigate the disadvantage of being a member of the sex designated by society as the natural caregiver. However, rather than target policies that would only help low-wage women workers, Lovell and Hartmann argue that public policy strategies that address women’s employment security will inevitably and directly benefit low-wage families, particularly those headed by women. They identify four sets of policies that can reduce barriers to women’s economic security and be of particular value to women mired in low-wage jobs:

• Policies that would make it easier for workers with caregiving responsibilities to increase their work hours;
• Policies that would increase women’s wages through skill development and through changes in wage-setting mechanisms;
• Income supplement policies, such as the EITC and paid family leave; and
• Changes in labor and equal employment opportunity laws that would help strengthen women’s bargaining power in the labor market.

In the labor market, race and ethnicity interact with factors that vary geographically, including the characteristics of available jobs in a region. John Foster-Bey and Beata Bednarz of the Urban Institute explore how the mix of industry sectors in four metropolitan areas affects the availability of full-time and living wage jobs for low-skilled individuals in those areas. Their analysis focuses on the interaction between industry characteristics and living wage employment for African-American adult males, a group that has been particularly hard hit by economic change in the past two decades.

Foster-Bey and Bednarz undertook their analysis of these complex interactions to determine whether disaggregated research could help improve the targeting of policies designed to help low-wage workers advance. Their research answers two questions:

Can the effectiveness of targeted industry strategies for low-income individuals be improved by examining the opportunities for living wage employment for less-educated
workers? Foster-Bey and Bednarz suggest that employment opportunities for less-educated men could be improved by targeting the economic sectors and occupations that provide the greatest opportunities for living wage employment. They show that it is possible to identify those sectors by analyzing the level of living wage employment opportunities available to less-educated adult workers in different sectors.

Can the effectiveness of targeted industry strategies for less-educated workers be improved if racial differences in living wage employment could be identified and explained by racial differences in the industry and occupational employment mix? Opportunities for employment appear to be strongly related to race and ethnicity. Foster-Bey and Bednarz conclude that an effective workforce development strategy would have to ask what can be done to improve the access of African-American males to employment opportunities in those sectors of the regional economy that offer the greatest opportunities for living wage employment. While the lower probability of employment may not be entirely the result of racial or ethnic discrimination, directly addressing the barriers to employment for less-educated African-American males is critical to any successful targeted industry strategy.

Part 4—Institutions That Can Improve Low-Wage Workers Prospects: Community Colleges, Employers, and Labor Unions

In the final section, the focus shifts to three important institutions that can influence the educational and economic progress of less-skilled and low-wage individuals: community colleges, employers, and labor unions. What practices are effective and promising? And how can new policies strengthen the contributions of these institutions to improving opportunities for low-skill workers to succeed in the labor market?

W. Norton Grubb argues that the comprehensive community college is the best-situated, best-prepared educational institution for helping low-skilled workers. At the same time, he recognizes the serious challenges facing community colleges that want to embrace that mission.

Based on field work, Grubb first identifies five characteristics of work-related education and training programs that are effective for low-skilled workers:

- They understand the local labor market and target jobs with relatively high earnings, strong employment growth, and opportunities for advancement.
- They contain an appropriate mix of academic education, occupational skills, and work-based learning, integrated to the extent possible.
- They provide a variety of supportive services appropriate for the diverse needs of different low-skill and low-wage workers and job seekers.
- They provide students with pathways or “ladders” to further education opportunities.
- They collect information about program results and use that data to improve program quality.

In Grubb’s view, community colleges are better equipped to provide these services than most second-chance training programs. However, if the colleges are to succeed for adults who have traditionally not excelled at school and who must balance learning opportunities with earning and family needs, they must:
• Improve the quality of teaching;
• Enhance remedial or developmental educational offerings;
• Provide more effective and available guidance and counseling to students, many of whom have never succeeded in school and know few people who have completed postsecondary degrees;
• Provide easier access to financial support for adult working students with low incomes, to child care, and to other support services that can help students balance learning and family; and
• Cultivate better connections to employers who will hire those who complete the programs.

To promote and sustain such changes, Grubb concludes with recommendations for policymakers. At the federal level, he advocates for financial aid policies that help low-wage workers and for supporting a more active community college role in conducting research on and disseminating best practices. Grubb recommends that states help their colleges take steps to spread good ideas more quickly and efficiently, such as setting up instructional centers focused on improved teaching quality. Further, he challenges states to combine accountability measures with technical assistance and other supports that can help weaker institutions understand and pursue high-leverage reforms of institutional practice.

Edwin Meléndez and Carlos Suárez also see great promise in the community college as an institution that can serve low-wage workers, be attuned to the changing dynamics of the local labor market, and provide flexible, affordable lifelong learning options. These authors focus specifically on the ability of community colleges to serve Hispanics.

Meléndez and Suárez report on demonstration projects at four community colleges that have tried to prepare economically disadvantaged Hispanics for better jobs. Meléndez and Suárez conclude that effective programs for Hispanic students tend to combine four interrelated program-design elements:

• They offer comprehensive case management, proactive mentoring, and tutoring that together address each participant’s unique needs and goals.
• They use curricular and instructional approaches that are student focused and put into practice the belief that “good teaching matters.”
• They address language, culture, and learning-style barriers to the success of Hispanic college students.
• They have strong ties with local industry and employers.

Looking at employers who choose to provide an unusually high level of workplace education to their less-skilled employees, Amanda Ahlstrand and her colleagues use data from the American Society for Training and Development to try to identify the characteristics and practices that contribute to a firm’s role in promoting educational and economic progress. The authors note, for example, that mid-sized firms and health care and family-owned businesses tend to provide more training to lower-wage employees. Also, firms that train more of their low-wage workers tend to be businesses
that train a higher percentage of their total workforce. Perhaps most important, the researchers discovered wide variation in employer practices, raising the important question of what can move more firms to provide more training to their low-wage employees.

These authors draw several policy implications from their research-in-progress. First, they have found no evidence that a fear of losing newly trained workers leads employers to forego a potential costly training process for entry-level workers. On the contrary, employers believe that training promotes retention of employees.

Employers are concerned about the costs that arise when workers are off the job for training and education, a concern that the authors suggest should influence training program design and delivery. For example, the patterns of employer behavior in their study leads the authors to promote strategies to spread training costs among employers, such as the development of electronic learning technologies. Also, firms might encourage senior managers to quantify the costs and the benefits of training in order to demonstrate the return on such investments. Finally, the authors emphasize that public policies to stimulate on-the-job training for low-wage workers must address the needs of both employers and employees. Publicly funded programs, such as those provided through community colleges, can stimulate more training of low-wage workers—but only if they meet the needs of participating employers.

The third institution discussed in this section is organized labor. Brian J. Turner notes that unions occupy a central place on the issue of low-wage work—at the intersection of jobs, skills, and income. In the past decade, according to Turner, unions have undertaken a range of innovative strategies to aid low-wage workers, from engaging in collective bargaining and public advocacy to expanding their training and job placement programs.

Turner places union-sponsored education and training initiatives in the context of the labor movement’s two core goals: raising labor standards through collective bargaining and union advocacy for pro-worker policies, services, and practices. He notes an increased commitment within the labor movement to organizing new members—including low-wage workers in a variety of industries—and to promote policies, such as a higher minimum wage and living wage ordinances, that raise wages for lower-paid workers.

According to Turner, organized labor has made strides in promoting training for low-wage workers through:

- Recruiting minorities and low-wage workers into unions and union jobs, with the provision of education and training to support initial placement and later career advancement;
- Raising standards, in the absence of union contracts, through training or through public campaigns to promote better wages and working conditions and more opportunities for training on-the-job; and
- Education and training services (e.g., ESL, GED) for community and union family members and job referral services for union and nonunion workers in organized units or with unorganized employers.
These strategies are part of organized labor’s commitment to building community-union partnerships that address the needs not just of existing union members but also of potential future members. To encourage expansion of union efforts to help low-wage workers secure better skills, wages, and opportunities for advancement, Turner advocates a policy agenda that would expand public funding for regional skills alliance, recognize unions as effective providers of employment-and-training programming funded under Temporary Assistance for Needy Families (TANF), change immigration laws to protect workplace rights, and remove National Labor Relations Board and court-erected barriers to the right to unionize.