
Low-Income Workers and Their Employers

Characteristics and Challenges

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Contents

<i>Introduction</i>	2
<i>Characteristics of Low-Wage Workers in Low-Income Families</i>	3
<i>Where Do Low-Income Workers Work?</i>	6
<i>Implications for Interventions</i>	8
<i>Conclusions</i>	11
<i>Notes</i>	13
<i>References</i>	14

Low-Income Workers and Their Employers

Characteristics and Challenges

This paper documents the characteristics of low-wage workers and their employers and discusses the implications of these characteristics for public programs and policies. Using nationally representative data from the 2004 Annual Demographic Supplement to the Current Population Survey (CPS), we focus on low-wage workers who reside in low-income families and support children. Key findings include the following:

- About one in four workers, age 18 to 61, earned less than \$7.73 an hour in 2003. This wage rate is 50 percent above the federal minimum wage and about half the wage rate of the average worker.
- Less than half of these low-wage workers live in low-income families (family incomes below 200% of the federal poverty level). About one in twenty workers are low wage and living in low-income families with children. Note that some workers may earn more than \$7.73 an hour but still be in families considered low income, depending on their family size, wage rate, and hours worked, though this paper focuses on those who are both low wage and low income.
- Low-wage, low-income workers with children have relatively low levels of education. Only 30 percent of low-wage, low-income workers with children have some education beyond high school. This is lower than the share of all low-wage workers (46 percent) and well below that share of all workers, 60 percent of whom have some postsecondary education.
- Low-wage, low-income workers with children are disproportionately likely to be younger, Hispanic, live in one-parent families, and report being in fair or poor health compared with the average worker.
- Low-wage workers are far less likely to work full time and year round than other workers (70 percent of all workers versus 50 percent of low-wage workers). However, among low-wage workers, those in low-income families with children are just as likely to work full time, full year as the typical low-wage worker.
- Two-fifths of low-wage workers and over one-third of low-wage, low-income workers with children work in very small firms, those with fewer than 10 employees. This is far higher than the 20 percent of all workers that are employed in small firms.

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- Low-wage workers, regardless of their income level or whether they live with children, are employed in industries with lower average wages than the typical worker. The industry average wage for low-wage workers is about \$15 an hour, compared with \$18 an hour for typical workers.

Many policies targeted at low-wage workers are not well targeted at workers in low-income families with children, in part because they are a small subset of the low-wage workforce. Nevertheless, policies targeted at low-wage workers may have broad benefits, including improving the lot of low-income families with children. Although a range of policy options is available to improve the status of low-wage workers, establishing an appropriate mix of options that target workers and their wages (e.g., an increased minimum wage), the incomes of low-income families with children (e.g., increased subsidies for child care), or make longer-term investments that may benefit both down the road (e.g., expanded job training programs) is required.

Introduction

The phrase “low-wage workforce” conjures an image of men and women struggling to support their families, toiling away at menial jobs for bosses who consider them expendable. To address the problem of “low-wage jobs,” advocates have called for the public sector to expand work-support programs, such as earned income tax credits, wage subsidies, and training programs, and to impose mandates to raise worker pay through minimum wage increases, provide benefits like health insurance and paid time off, and protect jobs (trade barriers, immigration restrictions).¹ In addition, some private-sector employers have implemented practices offering workers more flexibility in scheduling and time off because these employers find that these practices improve productivity and reduce the costs associated with high staff turnover.²

This paper provides a solid empirical foundation for these discussions by defining and documenting the characteristics of low-wage workers and their employers. In particular, we focus on low-wage workers who reside in low-income families and support children. We use nationally representative data from the 2004 Annual Demographic Supplement to the Current Population Survey for our analysis.

We find that low-wage workers who reside in low-income families with children are substantially less educated and concentrated in industries with low wages and poor prospects for wage growth. Many policies targeted at low-wage workers are not well targeted at workers in low-income families with children, in part because they are a small subset of the low-wage workforce. Nevertheless, policies targeted at low-wage workers may have broad benefits, including improving the lot of low-income families with children. Further, other policies, such as child care policies, can address the needs of low-income families with children, and some policies, such as improving career-focused education, may have long-term benefits at relatively low cost.

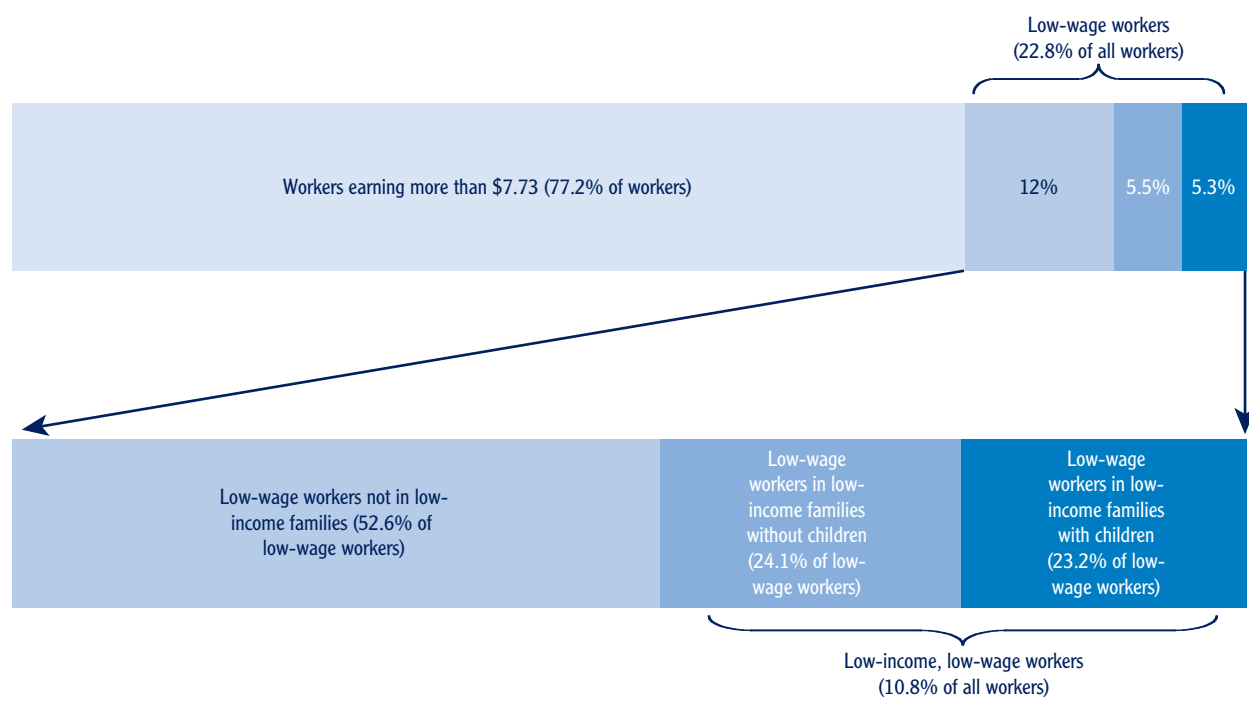
Characteristics of Low-Wage Workers in Low-Income Families

Before examining the characteristics of low-wage workers, their families, and their employers, we need to define our terms. We set the wage threshold for low-wage workers at 150 percent of the federal minimum wage³—thus, any worker earning less than \$7.73 an hour is considered a low-wage worker. This hourly wage threshold is also about 50 percent of the median wage.⁴ Wage rates are computed annually by dividing annual earnings by annual hours worked during the calendar year.⁵ We consider a worker to be in a low-income family if the family's income falls below 200 percent of the federal poverty level (about \$38,000 a year for a family of four).⁶ Those who work 35 hours or more a week are considered full-time workers, and those who work 50 or more weeks in the year, full-year workers. We focus on non-farm, non-self-employed workers between age 19 and 62, and our data reflect the population from calendar year 2003; all monetary values are in 2003 dollars.⁷

- **About one in four workers earn less than \$7.73 an hour, but less than half these workers live in low-income families. About one in twenty workers are low wage and living in low-income families with children (figure 1).**

Overall, 22.8 percent of all workers earn less than \$7.73 an hour and 10.8 percent not only have low wages but also live in families whose incomes fall below 200 percent of the

Figure 1. Distribution of Low-Wage Workers



poverty level. And of all low-wage workers in low-income families, about half live with children. Thus, about a quarter of workers are low wage by our definition and only a quarter of these workers (5.3 percent overall) live in low-income families with children.

- **Low-wage workers differ in many ways from average workers, and those low-wage workers in low-income families, particularly those with children, are a special subset of workers (table 1).**

Education. Earnings are linked to education; thus, it is not surprising that although 60 percent of workers have some education beyond high school, only 46 percent of low-income workers do. Further, only 30 percent of low-wage workers in low-income families with children have more than a high school degree, and a third do not even have a high school degree. This suggests that school retention and training programs could benefit low-income workers and their families.

Age. Low-wage workers are more likely to be young (between age 18 and 29) than the average worker (39 versus 27 percent). Although low-wage workers in low-income families with children are no more likely to be young than low-wage workers in general (40 versus 39 percent), they are less likely to be in the 50- to 61-year-old age range (18 versus 5 percent). Interestingly, just over half of all low-wage workers in low-income families with children are in their prime work years (age 30 to 49), similar to the share of all workers. Thus, one segment of the low-income workforce (18- to 29-year-olds) may expect wage growth as they gain experience; however, the majority of these workers are in their prime earning years and are still earning less than \$7.73 an hour.

Race/ethnicity. The race/ethnic distribution of low-wage workers is similar to that of all workers—they are a little less likely to be white and a little more likely to be Hispanic. However, low-wage workers in low-income families with children are far less likely to be white and more likely to be Hispanic than the average low-wage worker and the average worker overall. This raises the possibility that language issues may be important for some low-income workers with children.

Marital status. About half of all low-wage workers in low-income families with children are married; in fact, those with children are more likely to be married than the average low-wage worker (51 versus 45 percent) but slightly less likely to be married than the average worker overall (51 versus 56 percent). This suggests that about half the low-wage workers in low-income families with children are in single-parent families, and parenting and child care concerns may constrain their labor-market choices.

Health status. Low-wage workers are slightly more likely to be in fair or poor health than the average worker (9 versus 6 percent), but distressingly, those in low-income families with children are almost twice as likely as the average worker to report fair or poor health status (12 versus 6 percent). Poor health may limit the type of jobs available to these workers in several ways, for example, by making them less able to perform certain tasks or adhere to work schedules, or by changing the

Table 1. Personal and Family Characteristics of Workers

	All workers	Low-wage workers	Low-wage workers below 200% of FPL	Low-wage workers below 200% of FPL, with kids in family
Percent of all workers	100.0	22.8	10.8	5.3
Educational attainment				
Less than high school	10.1	19.0*	27.7*	33.2*
HS diploma or GED	30.4	35.5*	36.9*	36.7*
More than high school	59.5	45.5*	35.4*	30.1*
Age				
18–29	27.0	39.1*	42.7*	39.8*
30–49	52.2	43.1*	44.7*	54.8
50–61	20.8	17.8*	12.6*	5.4*
Race/ethnicity				
White non-Hispanic	69.8	62.0*	50.4*	42.9*
Black non-Hispanic	11.2	12.7*	16.7*	18.5*
Hispanic	13.2	19.4*	27.2*	32.8*
Other	5.8	5.9*	5.7*	5.9
Marital/family status				
Married, spouse present	56.4	44.8*	33.0*	51.1*
0 related kids in family	55.7	55.1*	50.5*	0.0*
1 related kid in family	19.3	19.8*	18.8*	37.9*
2 related kids in family	16.6	15.5*	17.2*	34.6*
3+ related kids in family	8.4	9.6*	13.6*	27.5*
Health				
Excellent	33.9	30.4*	25.9*	26.2*
Very good	36.1	33.8*	32.5*	30.8*
Good	23.6	26.7*	30.1*	31.4*
Fair	5.3	7.5*	9.5*	9.8*
Poor	1.1	1.5*	1.9*	1.9*
Work-limiting disability	2.8	4.6*	5.2*	3.6*
Residential location				
Central city	23.9	25.1*	29.8*	28.8*
Suburbs	44.9	39.0*	32.5*	33.1*
Rural/not identified	31.2	35.9*	37.8*	38.2*

Source: March Current Population Survey 2004.

FPL = federal poverty level

Notes: Low-wage: < \$7.73; low-income: < 200% of FPL; workers age 18–61 included. A * following an estimate in the second column of numbers indicates low-wage workers differ significantly from all other workers at the 5% level, a star in column 3 indicates low-wage workers below 200% of FPL differ significantly from all other low-wage workers at the 5% level, a star in column 4 indicates low-wage workers below 200% of FPL with kids in their family differ significantly from all other low-wage workers below 200% of FPL at the 5% level.

employer's cost of providing benefits. In addition, the jobs low-income workers hold may be more dangerous than those higher-income workers hold. Further, low-wage workers in low-income families may be at heightened risk of poor health because the housing they can afford carries greater environmental risks (from lead paint to poor insulation to higher crime rates) than the housing available to higher-

income families and because low-income individuals may not seek out or receive appropriate medical care for emergent conditions that can worsen substantially if left untreated.

Residential location. Finally, low-wage workers in low-income families with children are more likely to reside in both central cities and rural areas than the average worker and the average low-wage worker. This suggests that low-income workers may have limited access to better-paying jobs in growing suburban areas.

Where Do Low-Income Workers Work?

The employment and job characteristics of low-wage workers and low-wage workers in low-income families with children also differ from those of the average worker as well as from one another (table 2).

Hours worked. Seventy percent of all workers work full time, full year, compared with about half of low-wage workers and low-wage workers in low-income families with children. Among low-wage workers, those in low-income families are more likely to work full time but for only part of the year than the average low-wage worker (24 versus 19 percent) and slightly less likely to work part time (26 versus 30 percent). The fact that about half do not work full time, year round contributes to their low-income status. It is, however, not clear whether they could sustain full-time, full-year work.

Interestingly, among married workers, having a spouse who works full time and even full time, full year is common. Regardless of wage status, about 70 percent of married workers have a spouse working full time and 60 percent have a spouse working full time, full year. This is slightly less common among low-wage workers in low-income families, regardless of the presence of children. Nevertheless, 57 percent of low-wage workers in low-income families with children have a spouse working full time, and 42 percent have a spouse working full time year round. Again, more work on the part of spouses could lift these families into a higher income status; nevertheless, spouses of low-wage workers do work substantially, and how much more they could work is not clear.

Employer benefits. In addition to cash wages, workers frequently receive employer-sponsored benefits that enable them to meet the needs of their families. Over half of all workers receive health insurance coverage through their own employers. In contrast, only 22.1 percent of low-wage workers and 18.8 percent of low-wage workers in low-income families with children receive health insurance through their own employers.

Firm size. Low-income workers are disproportionately likely to work in smaller firms. Although 20 percent of all workers are employed in firms with fewer than 10 workers, such firms employ 42 percent of low-wage workers and 35 percent of low-wage workers in low-income families with children. Because of their small size, these

Table 2. Employment Characteristics of Workers

	All workers	Low-wage workers	Low-wage workers below 200% of FPL	Low-wage workers below 200% of FPL, with kids in family
Percent of all workers	100.0	22.8	10.8	5.3
Work				
Full-time, full-year (FT, FY)	70.0	51.2*	49.8*	50.4*
Full-time, part-year	13.6	18.5*	22.9*	23.5*
Part-time, full-year	8.8	15.8*	13.8*	12.3*
Part-time, part-year	7.6	14.4*	13.6*	13.9*
If married, spouse works FT	69.7	71.6*	53.2*	56.9*
If married, spouse works FT, FY	60.1	60.7	38.9*	41.8*
Health insurance				
Employer-sponsored health insurance from own employer	55.3	22.1*	21.0*	18.8*
Firm size				
Under 10 employees	19.9	41.8*	35.1*	35.1*
10–24 employees	9.9	11.0*	12.7*	12.0*
25–99 employees	12.9	10.2*	11.6*	12.0*
100–499 employees	13.3	8.9*	9.9*	10.5*
500–999 employees	5.4	3.8*	4.1	4.3*
1,000+ employees	38.6	24.3*	26.7*	26.1*
Major industry				
Mean wage (\$/hour)	18.3	15.2*	15.2	15.1*
Major industry				
Agriculture/forestry, fishing/hunting	1.2	2.8*	3.1	3.3*
Mining	0.4	0.1*	0.2	0.2*
Construction	7.5	9.0*	8.9	8.0
Manufacturing, durable	4.3	1.7*	1.8	1.9*
Manufacturing, nondurable	7.6	4.9*	5.9*	6.4*
Wholesale trade	10.5	13.7*	13.1	12.7*
Retail trade	3.3	2.1*	2.0	2.0*
Transportation and utilities	4.9	3.2*	2.8*	2.7*
Information	2.5	1.5*	1.3	1.1*
Financial activities	6.9	4.7*	3.2*	2.8*
Leisure and hospitality	7.2	13.2*	15.7*	14.0*
Other services	4.5	7.3*	7.4	7.7*
Public administration	4.4	1.0*	1.0	1.0*
Professional or technical management	5.7	4.2*	2.1*	1.8*
Administrative support services	3.7	5.7*	6.9*	6.9*
Waste management or remediation	0.3	0.2	0.2	0.3
Educational services	8.4	5.7*	4.6*	4.6*
Hospitals	4.0	1.5*	1.5	1.6*
Other health care services	5.6	4.9*	5.2	5.8
Social assistance	1.8	3.5*	3.4	4.1*
Armed services or unspecified	5.4	9.1*	9.7*	11.2*

Source: March Current Population Survey 2004.

FPL = federal poverty level

Notes: Low-wage: < \$7.73; low-income: < 200% of FPL; workers age 18–61 included. A * following an estimate in the second column of numbers indicates low-wage workers differ significantly from all other workers at the 5% level, a star in column 3 indicates low-wage workers below 200% of FPL differ significantly from all other low-wage workers at the 5% level, a star in column 4 indicates low-wage workers below 200% of FPL with kids in their family differ significantly from all other low-wage workers below 200% of FPL at the 5% level.

firms may not have the resources to pay higher wages or offer comprehensive benefits, and they likely cannot offer much flexibility to their workers.

Industry. Across broad industry categories, there are differences in workers' employment patterns, although few differences stand out. For example, low-wage workers are more likely to be employed in leisure and hospitality and other service industries than the average worker (14 and 8 percent versus 7 and 5 percent, respectively). Low-wage workers in low-income families with children are distributed across industries in much the same way as low-wage workers in general. The average hourly wage across industries, however, is clearly lower for low-wage workers than for workers in general (\$15.20 versus \$18.34). This suggests that even though the distribution across industries is not obviously skewed, low-income workers are more concentrated in lower-wage industries than workers in general.

Implications for Interventions

These tabulations have significant implications for policies and programs aimed at improving the material well-being of low-income working families with children.

- **Raising the minimum wage, expanding living wage policies, and implementing wage subsidies may help some low-income working families with children, but the benefits are not well targeted for this group.**

The “target efficiency” of interventions that focus on lower-paying jobs is important to consider. Our tabulations show that although almost a quarter of all workers earn less than \$7.73 an hour, half live in higher-income families, and only a quarter of all low-income workers reside in low-income families with children. Thus, the direct benefits of raising the minimum wage to \$7.25 an hour will accrue, for the most part, to workers in higher-income families and low-income families without children. Nevertheless, raising the minimum wage may put upward pressure on wages throughout the wage distribution, extending benefits to workers earning more than the new minimum. If any potential job displacement and product price increases resulting from raising the minimum wage are small and diffuse, raising the minimum wage could still be a low-cost policy with large potential benefits.⁸

Other direct government attempts to raise wages (such as living wages) that set wage thresholds well above the minimum wage may also have only limited benefits for low-wage workers in low-income families with children. Although living wage policies set wage rates well above the minimum wage, the living wage floor usually only pertains to larger companies (50 or more workers, for example) that work on contracts for the local government. Any low-wage worker in such a company will benefit directly from the living wage ordinance, but most low-wage workers can only benefit indirectly, and again, most low-wage workers are not in low-income families with children.

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- **Such programs as the earned income tax credit directly target low-income working families with children, but their benefits are not directly linked to wage rates and hours worked.**

Programs that target working low-income families with children, such as the earned income tax credit (EITC) and the child tax credit, can provide assistance to the working families that need it the most without providing aid to the families of lower-paid workers in higher-income families. The EITC is most likely to substantially help workers who are low wage in low-income families with children. This tax credit represents a major source of lump-sum income (as most taxpayers receive a refund rather than opt for advance EITC payments), which differentially benefits families with children; the maximum benefit for a low-income family without children was \$382 in 2003 (or at most 7.65 percent of earnings), while the maximum benefit for a family with two children was \$4,204 (or 40 percent of earnings). The tax credit also represents a substantial incentive to work for some families, providing a subsidy up to 40 cents on a dollar of earnings for many less-than-full-time single-earner families, and a disincentive for others who find themselves in the “phase-out” where they may lose the credit as they increase work. Proposals to increase the EITC or introduce similar credits have to account for these effects.

Also, most EITC recipients receive their EITCs in lump sums as tax refunds months after they have earned their income from work. Although there are provisions to receive advanced payments of a portion of the EITC, it is difficult to know the size of the credit because it is based on annual earnings. Indeed, some higher-wage workers whose annual earnings are low enough because they did not work full time, full year can qualify for the EITC. Thus, although the EITC is better targeted than direct wage floors or subsidies, the benefits to low-wage workers in low-income families with children come with a lag, and some of the benefits accrue to higher-wage families whose incomes are low because they work fewer hours.

- **The lower educational attainment of low-wage workers suggests that improving these workers’ skill sets could improve their wages. Several policy options exist for raising the skills of low-wage workers, but no single approach stands out as universally effective.**

Policy interventions can also seek to improve the skill sets of low-income workers as well as the demand for such workers. A disproportionate number of low-income workers are under age 30, but half the low-income workers in low-income families with children are in their prime earnings years (age 30 to 59). Unlike younger workers, their wages are unlikely to grow appreciably as they gain experience. Indeed, they likely lack the skills necessary to command higher wages. A third of the workers in low-income families with children do not even have high school degrees.

Clearly there is room for myriad interventions aimed at increasing the general and job-specific skills of low-income workers. These options include grants to pursue higher education (e.g., Pell Grants), expanded community college systems, and efforts

to train individuals to work in growing sectors of the economy (e.g., health care). In addition, programs such as the Incumbent Worker Training tax credit create incentives for employers to raise the skills of the low-wage workers they currently employ. All these approaches can improve low-wage workers' wages, although they are not targeted specifically at workers in low-income families with children. However, policies to help younger disadvantaged workers today may help the workers in low-income families with children of tomorrow. Expansions of direct expenditures on job training and apprenticeship programs seem likely to be high-return investments, if targeted appropriately.⁹

- **Improving access to jobs may be particularly important for low-wage workers in low-income families with children as data suggest they may be isolated from good job opportunities.**

Job access may also be an issue for low-income workers raising children. Because they are disproportionately located in central cities and in rural areas, these workers may not know about or be able to get to better-paying jobs in suburban areas. Improved public transportation could ameliorate this "spatial mismatch" and broaden the opportunities for workers living in urban core areas. Further, because these low-income workers may need and receive public assistance through programs like Food Stamps and these programs limit the value of assets families may hold as condition of benefit receipt, they may not own reliable cars; this in turn limits employment options, particularly in rural areas.

In addition, public and private programs that try to match workers with job opportunities and help workers handle the logistical difficulties in holding down a job can play an important role in improving the job prospects (and hence wages) of low-wage workers. Indeed, this is a function provided by labor-market intermediaries, whether they be one-stop service centers, temporary employment agencies, or state and locally sponsored groups that provide job search, matching, and postemployment services.

- **All parents face challenges balancing work and family responsibilities; these challenges may be particularly acute for low-income families, and programs that help workers balance dual roles as parent and employee could benefit low-wage workers in low-income families with children.**

A disproportionate share (about half) of low-income working families with children are single-parent families, and only half of low-income working families with children work full time, year round. This raises the possibility that parenting duties constrain many low-income workers in their employment options. A single parent can only work if her children are in child care (or are old enough to be in school or to care for themselves) and therefore, she can only hold down a job when child care is available. Further, some workers may eschew promotions to jobs that demand more hours to keep their family life in balance. Conversely, the lack of flexibility in lower-paid jobs (no paid leave, the inability to take time off to attend to a family crisis) may reduce job stability and further reduce the incomes of low-income working families with children. Efforts to increase child care affordability and availability and efforts aimed to

encourage or mandate more workplace flexibility on the part of employers (for example, through paid time off or paid leave) may provide considerable benefits to low-income working families with children.

- **Certain sectors of the economy offer better wages and benefits than others. Training less-skilled individuals to work in these sectors could help them find and retain relatively higher-paying jobs.**

Larger employers generally offer better wages and benefits than smaller employers. Further, certain sectors, like health services, construction, and transportation and utilities, tend to pay better than the sectors in which low-income workers are concentrated, like leisure and hospitality services. Consequently, job training and placement services that concentrate on larger employers and higher-wage sectors may help workers move into jobs that pay more than \$7.73 an hour.

- **Other approaches to improving the wages of low-wage workers include job creation efforts and changes in wage-setting institutions.**

Job creation, whether through direct government initiatives or by providing incentives to private-sector employers, can increase the demand for less-skilled workers and presumably raise their wage rates. Although aggressive job creation can lead to more jobs and is useful during periods of high unemployment, how effective job creation will be during periods of low unemployment is not clear. Further, pulling workers away from private-sector jobs through public or strategic job creation could introduce substantial distortions in the economy. And how much the subset of low-wage workers in low-income families with children would benefit is uncertain.

Other approaches to raising wages center on wage-setting institutions, such as unions. Clearly, unionization rates have fallen over the past three decades, and unions have offered workers a stronger voice in the determination of wages and benefits. Making collective bargaining easier could help workers—especially low-wage workers in sectors with low unionization rates—boost their pay if their employers are enjoying extra-normal profits or the market for their products can sustain price increases.

Conclusions

A substantial share of jobs in the U.S. economy pays low wages. As this paper shows, almost a quarter of all working adults, age 19 to 62, and about one in six full time, full year workers earn less than \$7.73 an hour. In the coming years, several national and international demographic and economic trends are likely to influence the demand for and supply of lower-skilled workers who hold down these low-wage jobs.

Many analysts forecast a labor shortage for the United States that will place upward pressure on wages. This prediction is based on demographic trends: the unusually large baby-boom cohort is approaching retirement, and when baby boomers retire, employers will bid up the wages of the remaining workforce.

Yet, several important countervailing trends could offset the anticipated labor shortage and reduce upward pressure on wages. First, whether baby boomers will retire at the same ages and in the same ways as their parents did is not clear. For example, baby boomers may defer retirement to older ages, and they may work part time as they ease into retirement. Second, immigrants, both authorized and unauthorized, represent a growing share of the labor force. Immigrants are an important source of labor in the United States, and increasing immigration may ameliorate any future labor shortage, thereby eliminating upward pressure on wages and potentially even exerting downward pressure on the wages of less-skilled workers. Third, as India, China, and Eastern Europe take up greater roles in the global economy, more work that U.S. workers have done may be offshored. Indeed, globalization may exert downward pressure on the wages of less-skilled workers. Finally, technological changes and innovations may allow U.S. employers to use fewer workers to meet their production needs. These four factors—more work by older Americans, immigration, off-shoring, and technological change—can all offset potential labor shortages due to U.S. population aging. As such, they reduce the prospects for the wages of less-skilled workers to be bid up.

Nevertheless, certain less-skilled jobs cannot be offshored and must be done by U.S. workers.¹⁰ These jobs include construction and direct service provision, particularly personal care. Indeed, as the population ages, there is likely to be an increasing demand for less-skilled workers who can help the elderly with their daily activities and provide other elder care and health care services.

Ultimately, policymakers hoping to improve the material well-being of low-wage workers in low-income families, especially those with children, will need to be mindful of the larger macroeconomic context of the labor market. Further, policymakers must decide the extent to which it is better to target workers and their wages (e.g., an increased minimum wage) rather than the incomes of low-income families with children (e.g., increased subsidies for child care), or to make longer-term investments that may benefit both down the road (e.g., expanded job training and apprenticeship programs). And they must balance interventions aimed at workers' skills on the supply side of the labor market with those aimed at employers' practices on the demand side.

Notes

1. To pay for mandated benefits, employers may reduce their workers' wage rates, restrict wage growth, or simply use less labor. Alternatively, they may accept smaller profit margins, reduce the compensation of more highly paid workers, or pass the costs on to consumers in the form of higher prices.
2. For example, JetBlue and J.C. Penney now allow their workers to use the Internet to set their schedules and swap shifts (Levin-Epstein 2007).
3. Today, the federal minimum wage is \$5.15, and Congress is considering raising it in phases to \$7.25.
4. The low-wage threshold in today's dollars (adjusted for inflation) is a bit above \$8.50 an hour; this is about half the median hourly wage for all workers today (about \$17).
5. Annual hours are computed by multiplying weeks worked by usual hours worked per week.
6. All persons related by blood, marriage, or adoption residing together are considered a family unit. Income is pretax, posttransfer income and does not include the cash value of in-kind benefits such as food stamps.
7. Comparable values for 2007 would be about 10 percent higher.
8. However, even small and diffuse changes can add up to create large aggregate efficiency and equity losses (as in the case of a tax that changes a global price by a fraction of a cent). Evidence on the incidence of mandated minimum wages is almost nonexistent. Neumark and Wascher (2007) review evidence of the effect of minimum wages on employment and conclude that the best studies point to negative effects on employment; however, many high-quality studies reviewed suggest negligible effects on employment.
9. Lerman (2007) discusses many design issues in job training and apprenticeship programs.
10. See Blinder (2005) for more discussion of these trends.

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