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Low-wage mobility during the early career

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Abstract

Despite the size of the low-wage workforce, knowledge of the low-wage labor market is markedly sparse. In particular, little is known about the mobility patterns of low-wage workers. Using data from the Panel Study of Income Dynamics, I analyze low-wage mobility during the early career. I find that exits from low-wages are common, but the odds of exit and the permanence of an exit vary by social group membership and have changed in recent decades. Women, African Americans, residents of the South, and the less educated fare worse in the low-wage labor market. My findings also suggest that low-wage mobility has changed since the 1970s, with low-wages becoming more difficult to avoid.

Keywords: Mobility; Low-wage work; Careers, Social Stratification

1. Introduction

There are over 40 million low-wage workers in the United States (Boushey, Fremstad, Gragg, & Waller, 2007). Despite the size of the low-wage workforce, knowledge of the low-wage labor market is markedly sparse (Andersson, Holzer, & Lane, 2005, p. 2). In particular, little is known about the mobility patterns of low-wage workers (Osterman, 2001, p. 78).

Recently, scholars have shown interest in studying low-wage work, largely concentrating on describing and understanding the employment trajectories of low-wage workers (see Andersson et al., 2005; Bernhardt, Morris, Handcock, & Scott, 2001; Newman, 2006). Unfortunately, despite the nascent academic interest in low-wage work, investigations into low-wage mobility patterns remain limited. Notably, research that considers changes in mobility over time is conspicuously absent.

This research gap is especially remarkable because of the dramatic changes in work structures and employment relations that have occurred over the past 40 years (for summary, see Ackerman, Goodwin, Doughtery, & Gallagher, 1998). However, while this gap in the literature is notable, it is perhaps not surprising: data limitations greatly restrict the ability to study low-wage mobility over time (Bernhardt et al., 2001, p. 12). Still, historical studies of low-wage work have yielded important conclusions, including the documentation of the increase and spread of low-wage work (Appelbaum, Bernhardt, & Murnane, 2003).

While the growth of low-wage work is striking, the economic and social significance of low-wage work is ultimately conditioned by the amount of individual mobility into and out of low-wages. If low-wages are a rare and temporary phenomenon with high mobility, then there is less cause for concern. If, on the other hand, low-wages are common and sticky, marked by little churning

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and low mobility, then the prevalence of low-wages is more troublesome.

Low-wage jobs are frequently characterized as either "stepping stones" or "dead ends" (Connolly & Gottschalk, 2000). Within the "stepping stones" framework, low-wage jobs are seen as transitory and leading to better-paying jobs. Under this scenario, low-wage jobs provide an initial entry point into the labor market; workers spend some time in low-wage jobs collecting work experience and skills, and then move on to better paying jobs. If low-wage jobs serve as pathways to better jobs, then low-wages should be concentrated among new labor market entrants.

Conversely, the "dead ends" perspective views low-wage jobs as persistent and offering few prospects for wage growth. Rather than accruing skills and advancing to better paying jobs, the "dead ends" perspective sees workers as caught in low-wage jobs, unable to move to higher paying jobs. If low-wage jobs are indeed "dead ends," then some workers will consistently experience low-wages, leaving some workers with low-wage careers.

The simplicity of the dichotomy between "stepping stones" and "dead ends" is appealing; however, such a broad distinction ignores the possibility that low-wage jobs may function differently for different individuals. Moreover, this account of low-wage jobs discounts the possibility that the function of low-wage jobs has changed in recent decades. Unfortunately, existing research does not speak to possible dissimilarities in low-wage mobility between different groups or changes that have occurred over time.

Here, I evaluate low-wage mobility during the early career—a stage of the career typified by high upward mobility. Using data from the Panel Study of Income Dynamics (PSID), I offer an account of low-wage mobility among different social groups, as well as document changes that have occurred since the 1970s. Are some workers more likely to exit low-wages than others? Are some workers more likely to never experience low-wages? Are experiences with low-wages different for men and women? Do whites and African Americans have similar low-wage trajectories? How permanent are exits from low-wages? Did low-wage mobility change between the 1970s and 2000s?

2. Background

While low-wage mobility remains understudied, recent research offers strong accounts of the distribution of low-wage jobs and the working conditions found at low-wage jobs. The industrial and occupational distribution of low-wage work is quite broad. Firms in all segments of the economy employ low-wage workers (Appelbaum et al., 2003). Within these industries, low-wage workers hold an array of occupations (Osterman, 2001). Still, the abundance of low-wage jobs in certain industries and occupations is notable. The service industry is the biggest employer of low-wage workers (Carre & Tilly, 2008). The largest low-wage occupations are retail sales, food preparation and serving, healthcare support, and maintenance and construction (Boushey et al., 2007).

The prevalence of low-wage work in disparate occupations and industries makes it difficult to characterize low-wage jobs; however, some common traits are notable. Low-wage jobs offer few employer-sponsored benefits like health insurance, disability insurance, or life insurance (Boushey et al., 2007). Similarly, most low-wage jobs do not provide severance for laid-off workers (Cappelli et al., 1997), retirement plans (Shulman, 2003), or training and education (Boushey et al., 2007). Low-wage jobs are also less likely to be unionized (Schochet & Rangarajan, 2004). More generally, many low-wage jobs involve nonstandard employment relations, an employment relation marked by "bad" job characteristics (Kalleberg, Reskin, & Hudson, 2000).

The working conditions of low-wage work are also distinct from those of better paying jobs. Workplace flexibility, defined as the ability to determine work schedule, work location, and time off for personal reasons, is greatly limited at low-wage jobs (Boushey et al., 2007). Low-wage work also offers unstable employment relations (Bernhardt et al., 2001), with high rates of turnover.

Recently, scholars have become increasingly interested in studying low-wage work in European countries. These studies have revealed large country level variability in working conditions, but also further highlight the low-wage working conditions in the United States. Generally, the United States' weaker welfare system leaves low-wage workers in the United States worse off than their European counterparts (Gautie & Schmitt, 2010).

Still, the variability between European countries makes generalizations difficult. For example, while over 70 percent of the Danish workforce is unionized, the UK and US have low union density (Bosch, 2009). Similarly, Denmark (Westergaard-Nielsen, 2008), the Netherlands (Salverda, van Klaveren, & van der Meer, 2008) and France (Carroll & Gautie, 2008) all provide generous unemployment benefits, while the US and UK offer few unemployment benefits (Lloyd, Mason, & Mayhew, 2008). The country level variation in low-wage work makes direct comparisons difficult. Nevertheless, it is clear that low-wage workers in the US experience worse