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POVERTY & HUMAN RESOURCES ABSTRACTS

LOW-WAGE INDUSTRIES AND THE WORKING POOR

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TREND

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TREND

LOW-WAGE INDUSTRIES AND THE WORKING POOR

by

Barry Bluestone*

Poverty stereotypes of the ADC mother, the aged, the infirm, the small farmer, the handicapped, the unemployed, and the undereducated often mask the fact that nearly a third of all families living in poverty in 1964 were headed by persons who worked 50-52 weeks a year at a full-time job and that more than a tenth of all persons living alone in that year were in this same position--fully employed yet unable to free themselves from impoverishment. No doubt the stereotype has been advanced in part by the mass media, yet the paucity of research on the working poor has added immeasurably to this myopic view of the indigent.

Unlike the life of those who have dropped from the labor force or the unemployed, the existence of the working poor is not so well documented; consequently their plight is less understood. Yet their problems are more complex than most, for the working poor are not simply the result of singular causes--sickness, illiteracy, lack of jobs, discrimination, or bad luck. Rather the working poor are the product of a confrontation between individuals with little opportunity and economic markets with little realized potential. To understand the individuals who are America's working poor--to know their educational, familial, and historical characteristics--does not explain the persistence of employed indigents. To understand poverty employment fully is to understand the dynamics of the market-place and the concatenation of product and labor market forces which produce the structure of wages and jobs in the nation.

For many of the working poor the trials of poverty must indeed be oppressive. To toil at a sweatshop job reminiscent of the nineteenth century, for up to 60 hours a week every week of the year for a wage not adequate to feed one's family or provide them with even the barest amenities commonplace in America is the cruel fate of many working poor. For millions more, dreary work at a full-time job nets less than a poverty wage. Yet, for their meager reward the working poor spend near half their waking hours at jobs often arduous, numbingly repetitious, and devoid of opportunity for occupational mobility. In the best of times, when the economy is booming all around them, they can hope for full work weeks and wage increases which may keep pace with inflation. In the worst of times the fear of losing their pittance constantly haunts them. Whether the economy comes up heads or tails, the working poor always lose.

Who Are the Working Poor?

Poverty itself does not allow easy definition even when reduced to pure quantitative terms. Official government statistics have traditionally placed the poverty "line" at or around $3,000 a year for a family of four; to be precise, $3,130 in 1964.[1] The exact poverty line depends primarily on family size and geographical location, and in one form is computed on the basis of family needs allowing for a minimal "economy" diet, housing, clothing, and other bare necessities. However, calculated in this manner (or in any other finite way), the poverty line should not be taken too seriously. It is nonsense to assume that once a family has surpassed the poverty line by a few dollars it has left the world of poverty. Impoverishment is a state of existence, not a notch on some economic measuring rod.

In this light, poverty must be considered on a relative rather than an absolute scale. Compared with the standard of living in the underdeveloped countries of the world, the American poor fare quite well. Indeed the average impoverished citizen of the 1960's materially surpasses the living standard of his counterpart of the last century. Yet compared with today's average factory worker, let alone professionals and wealthy entrepreneurs, the employed poor are indeed impoverished for they share so little of the total economic product.

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Above some minimal level, poverty is then a function of the distribution of income and wealth in a society rather than any specific level of material possession. Hence even the richest society in the aggregate may have widespread segments of disaggregated poverty. Where the distribution of income and wealth is so skewed that some classes of the population are considerably worse off than large minorities or even the majority, poverty can be said to exist in a relative form. If all segments in society including the "absolute" poor are improving their lot, adding new conveniences and amenities to their lives, but individual groups continue to lag behind at a considerable distance, poverty is not being eradicated. In dealing with the working poor it is especially necessary to consider the level of their wages not only in terms which are absolute (i.e., at a $3,000 level), but also in terms which are relative to the wage distribution or wage-level in all industry.

The concept of the working poor, like poverty, is not clear-cut. In the few studies undertaken of low-wage occupations and industries, the working poor have been narrowly defined as those who work 50-52 weeks a year at a full-time job yet remain within the ranks of the impoverished. The difficulty with this definition arises with the large number of individuals in the labor force holding one job yet employed only 45-50 weeks annually or working an average of only 35-38 hours a week. Millions of other workers earn poverty wages at full-time jobs but are not counted in the traditional definition of working poor because secondary workers in the family bring their family income above the poverty threshold. Yet we should also be concerned with those who toil full time for poverty wages.

It is convenient when speaking of aggregates to give a narrow definition of the working poor, but when dealing with individual industries and occupations, statistics which include all low-wage earners are needed to analyze the factors which produce low-paying jobs and the working poor in America. In dealing with low-wage industries it is further necessary to pay some attention to non-low-wage industries, especially when attempting to isolate the characteristics and causes of low-paying industry. It is also necessary because even some high-wage industries have low-wage segments which should not be overlooked. Likewise, some knowledge of poverty segments within individual occupations aids in understanding the working poor and the causes of their condition.

The Aggregate Picture

In 1963 8.5 million people in the United States worked throughout the year at full-time jobs, yet earned less than $3,000 for their efforts.[2] Of these, 2,072,000 were family breadwinners and an additional 1.1 million were unrelated individuals.

The working poor made up then, and continue to make up now, a sizable fraction of the total labor force. Of all full-time working family heads in 1963, 6.9 percent earned a poverty wage. In addition, an incredible 30 percent of all unrelated individuals earned a working poor annual income. *

As a segment of the indigent of America, the number who work full time is substantial. In 1963 one-fifth of all families in the United States were counted as poor, but of these more than one in four had a full-time working breadwinner. Indeed, in the majority of poor families in that year, at least one person was working either part-time or full-time all year long.[3]

Because of our abiding concern for future generations, it is also crucial that we note that the men and women (family heads) who worked full-time all year in 1964 and yet received a poverty wage were the parents of a full two-fifths of the nation's poor children. Nine out of ten such families were headed by men.[4]

Agriculture possesses the highest incidence of poverty in America, but other sectors of the economy account for the substantial majority of employed poor. Although most hired farmworkers were not employed full-time in 1965, 400,000 were counted as such by the government. They earned an average of $2,791 for a full year's work, averaging 327 days/year.[5]

To be more specific, in 1963 30 percent of the employed heads of poor families were in agriculture, forestry, and fisheries. ** The remaining bulk (70 percent) of employed poor family heads were primarily in urban occupations and industries[6]: 15 percent were in manufacturing, 15 percent were in retail trade, 10 percent were in personal services, 9 percent were in construction, and 21 percent were in miscellaneous

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* See table on p. 829 in Laurie D. Cummings, "The Employed Poor: Their Characteristics and Occupations," Monthly Labor Review, Vol. 88, July 1965.

**This includes income-in-kind as part of the poverty income.

other nonagricultural employment. * It is interesting to note that the first four sectors claim four out of ten jobs among all working men and one-half of all women's jobs in the aggregate economy.

In terms of occupation, the bulk of working poor are operatives, service workers, laborers, and farmers. Sales workers, clerical employees, and private household workers make up another 12 percent of the working poor. In general, the skill requirements for working poor jobs are below average, yet equal to many high-wage industry jobs in manufacturing, for example.

Characteristics of the Working Poor

Although the characteristics of the working poor will not tell us much about why low-wage jobs exist, these traits can help us better understand who the working poor are and why particular individuals have been doomed to poverty jobs.

Race. Approximately one-third of working poor families are nonwhite. [7] Yet roughly equal percentages of white and nonwhite poor are full-time workers. [8] (Approximately 30 percent of impoverished white families and 30 percent of impoverished nonwhite families are members of the working poor. Nearly one-tenth of all poor white unrelated individuals are employed full-time; the same fraction holds for all nonwhite unrelated individuals. [9]) However, when one considers only male heads of households, the story changes drastically. Seventy-three percent of the nonwhite male heads of poor families were employed in 1963, and more than half of them (42 percent) worked full-time all year long. Yet for indigent white male breadwinners, the percentages were much smaller. Only 56 percent worked at all that year and no more than a third were full-time workers. [10]

For the labor force as a whole, a disproportionately large number of Negroes are in low-wage jobs in the United States, but Negro women fare relatively better than their male counterparts. Whereas Negro women make up one out of eight working women, they make up one out of six women in low-wage occupations--a pretty sad picture in itself. For Negro men the situation is intolerable; whereas they compose but one-twelfth of the nonagricultural male workforce, they hold one out of four low-wage jobs! For the Negro male, the normal job is often a low-paying one, reflecting in part the earnings gap between white and Negro due to racial discrimination. For identical amounts of education the Negro can expect to earn only about 60 percent of what his white counterpart earns. [11]

Although some inroads have recently been made into racial discrimination in hiring practices and in internal firm mobility, discrimination remains rampant, striking at the nonwhite male most acutely. Consequently, undesirable jobs at low pay are all too often the only employment offered nonwhites. Discrimination and lower educational opportunity for nonwhites yield the awesome combination which explains not only the high unemployment rate, but also the high percentage of full-time working poor among nonwhite indigents and especially the extremely high proportion of all low-wage jobs held by Negro men and women.

Nevertheless it should be remembered that white workers, because of their greater numbers, predominate numerically in almost all low-wage occupations and industries. [12] Race discrimination and lower educational opportunities for nonwhites play major roles in allocating poverty jobs, but whites are not automatically immune to the worst jobs America has to offer.

Age. One might expect to find the working poor to be clustered in the younger and older age groups--those under 25 and over 55--for those are the age groups with the lowest incomes. But this is not so. In 1964 over half of all unrelated individuals among the working poor were between the ages of 25 and 54, and for family heads the percentage was even larger, with over three-fourths of them in the prime age group. [13] Two-thirds of the women and one-half of the men in low-wage occupations were in a like situation. [14] This compares favorably with the nonagricultural civilian labor force at large, and hence we cannot easily explain away low-wage employment by resorting to the argument that the working poor are exclusively the teenage set or senior citizens who have low productivity and limited employment opportunity. By and large, the working poor are healthy and of prime age.

Sex. Women are particularly likely to have jobs paying low wages. Although women compose only one-third of the labor force, they account for more than one-half of those with incomes below $3,000. More than one-third of all full-time employed women reported incomes under $3,000 in 1963 while only one out of eight men did so. [15] Yet, remember that of all families among the working poor, a full 90 percent of them are headed by men. And in almost a fifth of these male-headed households where the wife

*See table on p. 830, Laurie D. Cummings, op. cit.

was present, the wife also worked at least part-time. Still, for some of these families with two wage earners, the sum total of their effort failed to raise the family income above the poverty threshold![16]

We might infer that a good deal of poverty employment is due to the peculiar low-wage occupations of women and discrimination against women in terms of wages and occupational mobility. Indeed we would be correct on both counts, yet we would be begging the real question of why women are generally paid less for their toil. We would also be neglecting the great amount of poverty employment which falls to men, especially those at the heads of families. Hence to understand poverty employment requires that we plunge deeper than the surface qualities of the low-wage workforce.

Education. It is a well known fact that income correlates highly with education. In a similar vein, correlation between broad occupational groups and education appears extremely high. Professionals, on the average, are better educated than clerical workers and accordingly receive higher incomes. Foremen and craftsmen are generally more educated than operatives and laborers. Again the difference is reflected in higher earnings for the more educated.

Yet within occupational categories the relationship between the education of the worker and his wage rate is not so clear. Operatives in the high-wage industries appear to possess near the same educational histories as many of their occupational equivalents who work for poverty incomes either in the same industry (located possibly in a different region of the country) or in different industries. Delehanty and Evans have found that among operative occupations in manufacturing industry the difference in educational attainment between most workers in low-wage groups and those in above poverty-line wage operations stood at less than .6 years in 1963, the median years of school completed being 9.6 for all operatives.[17] They also found that the six major poverty wage clerical occupations divide into three equal groups with educational levels which bracket the over-all median.[18] And of the 29 service worker occupations, 21 fall into the low-wage category, but workers in 15 of these 21 either exceed or are not more than one-half year below the 9.7 year median educational level for all service employees.[19] Consequently, we cannot easily write off the working poor as illiterate, unschooled, or for that matter, educationally inferior to workers in comparable occupations in high-wage industries. Education can explain why engineers earn more than janitors, but alone it cannot explain why a janitor in one industry fares so much better than one in the low-wage sector.

Skill. Although education usually serves as a proxy for job skill, the two are not perfectly interchangeable, and agility and speed on a repetitious operation are not necessarily the by-products of school attendance. Nevertheless it appears safe to assume that the conclusion regarding education and low-wage occupations can be extended to job skills. There is little reason to believe that an assembler in the high-wage auto industry is more skilled than the operative in a Southern sawmill, or that the former paid by the hour is any speedier than the latter working at piece rate.

Geographical Location. The working poor are located in every state in the union, but the heaviest concentration of employed poor is in the South. In 1964 over half of all working poor families and a third of all fully employed unrelated individuals lived there. Altogether in that year, the families of the working poor represented 12.4 percent of all Southern families, while they represented only 5.8 percent in the North Central region, 4.2 percent in the West, and only 3.3 in the Northeast.[20] Employed impoverished unrelated individuals fared even more poorly than families, accounting for 18 percent of all working unrelated individuals in the South.

Aside from the South, where the working poor are in greatest proportions, there are isolated pockets of poverty like the Ozark Plateau, the Down East section of the Eastern coastline, and the cutover region of the Upper Great Lakes which account for some of the working poor, but much more these regions represent the poverty of the part-time worker and the unemployed. More importantly, it must not be overlooked that many of the working poor are concentrated in the ghettos of Northern and Western industrial cities where they toil beyond the fringes of the major firms.

Yet, again we beg the question if we conclude that the working poor can be explained away by the region from which they originate, for there is nothing theoretically inherent in the geography which should make one region so less well paying than another. Rather again it becomes necessary to focus on the product and labor market characteristics in the regions where low wages are concentrated.

Labor Mobility. One would expect that workers in low-wage occupations and industries would be eager to seek improvement in their lot by moving to high-wage areas of the country. To some extent empirical studies appear to substantiate this expectation, for there is a close relationship between median income levels and state migration patterns. Between 1950 and 1960, the poorest thirteen states had an average net out-migration rate of seven percent while the thirteen richest states had an average net in-migration rate of six percent.[21] We also know that while the quit rate for all manufacturing industry in November 1966 was 2.1 per 100 employees, it stood at 3.1 for manufacturing industries with average wages under $2.25/hour.[22]

But all movement is not necessarily associated with poor workers who need better wages. Rather, geographical mobility rates are associated with education, age, race, and in general, migration rates are higher for people with more education and for people in younger age groups. Workers in their twenties have the highest migration rates (19-22 percent) while the rates decline progressively with each succeeding age category, falling below four percent in the 60-64 age group.[23]

Yet even mobility does not necessarily indicate escape from poverty. Although low-wage industries have greater labor quit rates than industries which pay higher wages, the high mobility of persons in low-wage jobs is not solely a reflection of job improvement. The results of two studies of within-year mobility conducted by the Bureau of Labor Statistics in 1955 and 1961 indicate that workers in low-wage occupations improved their situations through changing jobs only about as often as workers in higher-paid occupations. Of all mobile persons, 33.7 percent reported that their move improved their economic status. The three low-wage occupations--operatives, service workers, and laborers--reported improvement from their move in 37.9, 36.7, and 23.8 percent of the cases respectively.[24]

The lack of mobility of the working poor, and moreover the inefficacy of mobility, account for a good measure of the continuing poverty of low-wage industry workers. While some refuse to move to higher-wage industries because of ties to family and region, many others cannot move because they lack the wherewithal to meet the expenses of resettlement which may in the end fail to pay off with a better job and higher earnings. For many, movement to another area appears risky, especially if it means forfeiture of an already existing full-time job, albeit one which pays but a low wage. Furthermore the economic climate may be such that industries in high wage areas have few jobs open for newcomers and because of fixed wage floors refuse to expand employment. Educational requirements pose another barrier for the employed poor who possess the will to advance to higher wage areas but lack the educational background to change occupations. In any case, wherever mobility of the working poor is restricted--whether due to personal preference, economic environment, educational inadequacy, or discrimination--the opportunity for escaping from working poverty is reduced.

Low-Wage Industries

The working poor, as expected, are not spread evenly throughout all industries. Rather, employed indigents are concentrated in a number of industries, which, for one reason or another, have failed to provide a living wage for many of their employees. Isolating these industries from all others provides some insight into the characteristics of low-wage firms.

As a first approximation we can isolate industries which have a relatively low average wage for all nonsupervisory personnel, say $2.25/hour or below. Other criteria could be substituted for this breaking point, but these, with little variance, would result in the same general conclusions about the characteristics of low-wage industries and firms. Nonetheless, labor surveys show that an industry with an average wage near $2.25/hour can be expected to have a sizable number of working poor in its employ. Of course, industries below this level can usually be expected to have even larger numbers of impoverished full-time workers.

When this average wage criterion is utilized, we find that mining and construction industries are relatively free of poverty employment; they show no two- or three-digit SIC sectors falling below the breaking point in 1966.[25] Likewise the transportation and public utilities industries indicate average wages well in advance of the low-wage line. However when we turn to manufacturing, the working poor begin to appear in the statistics. Of the broad 21 two-digit industrial classifications in manufacturing, six are low-paying and 30 of the 119 separately government listed three-digit industries fall below our criterion. Eight of these are in durable manufacturing; 22 in nondurables. More than half of these are in the textile and clothing industries and none is in the heavy goods industry.

Although no wholesale trade industries quite fall into the low-wage category, ten of the 13 listed retail trade industries and five of the seven two-digit retail classifications fall well below the low-wage line. In the realm of finance, insurance, and real estate, only the banking industry has an over-all average

TABLE 1. PERCENT OF LOW-WAGE EMPLOYMENT IN SELECTED INDUSTRIES, 1961-1966

Industry	Year	Total Empl.	AHE*	%L.W.*	Male Empl.	AHE	%L.W.	Female Empl.	AHE	%L.W.
Southern Sawmills & Planing Mills	1962	110,726	$1.25	88.2	---	---	---	---	---	---
Nursing Homes & Related Facilities	1965	172,637	1.19	86.3	19,636	1.31	---	153,001	1.17	---
Work Clothing	1961	51,594	1.24	77.1	6,134	1.48	54.2	45,460	1.21	81.2
	1964	57,669	1.43	72.8	6,998	1.61	---	50,671	1.40	---
Children's Hosiery Mills	1962	17,181	1.33	76.9	3,900	1.47	57.1	13,281	1.29	84.3
	1964	17,364	1.46	67.3	3,974	1.58	47.7	13,390	1.42	73.0
Men's & Boy's Shirts	1961	93,190	1.26	75.5	8,844	1.47	55.2	84,346	1.24	77.8
	1964	96,935	1.45	70.4	8,962	1.63	53.4	87,973	1.43	73.2
Laundries & Cleaning Services	1963	418,883	1.26	75.4	96,744	1.62	45.8	322,139	1.16	83.7
	1966	397,715	1.44	72.5	88,091	1.81	45.3	309,624	1.33	80.6
Men's Hosiery Mills	1962	24,039	1.37	71.7	6,775	1.52	48.5	17,264	1.31	80.8
	1964	21,223	1.47	65.2	5,656	1.62	44.4	15,567	1.42	77.7
Synthetic Textiles	1963	84,214	1.57	55.5	51,389	1.63	43.2	32,825	1.47	66.3
Cigar Manufacturing	1961	21,562	1.39	55.4	4,721	1.48	52.3	16,841	1.37	55.3
	1964	21,675	1.54	50.7	5,249	1.61	52.8	16,426	1.52	47.3
Cotton Textiles	1963	225,655	1.53	54.5	140,117	1.56	49.1	85,538	1.47	61.4
	1965	219,477	1.74	35.1	136,641	1.78	35.1	82,836	1.67	40.2
Wood Household Furniture	1962	106,193	1.57	50.8	95,540	1.58	49.3	10,653	1.43	66.2
	1965	120,000	1.71	48.1	106,810	1.73	49.0	13,190	1.55	66.8
Footwear	1962	182,449	1.64	49.3	75,303	1.88	32.8	107,146	1.47	56.9
	1965	173,804	1.77	50.6	70,597	2.02	34.7	103,207	1.60	61.4
Women's Hosiery Mills	1962	45,663	1.55	50.0	11,550	1.83	25.8	34,113	1.46	53.3
	1964	44,325	1.62	45.0	10,257	1.84	26.8	34,068	1.56	50.3
Fertilizer Manufacture	1962	26,150	1.67	41.7	---	---	---	---	---	---
	1966	25,484	1.90	38.8	---	---	---	---	---	---
Hospitals (excl. Federal)	1966	1,781,300	1.86	41.2	360,000	1.98	34.6	1,421,000	1.82	49.2
Candy & Other Confectionery	1965	49,736	1.87	34.2	20,872	2.11	19.1	28,864	1.69	45.3
Brick & Structural Clay Tile	1964	23,274	1.91	33.9	23,164	1.91	33.5	110	1.29	94.5
Wool Textiles: Wool, Yarn, & Broadwoven Fabric Mills-Worsted	1962	19,599	1.59	32.7	8,863	1.68	25.8	10,736	1.51	38.3
Wool Textiles: Scouring & Combing Plants	1962	4,069	1.64	23.1	3,396	1.67	20.5	673	1.54	42.9
	1966	4,041	1.92	12.4	3,255	1.96	11.5	786	1.76	16.0
Wool Textiles: Wool, Yarn & Broadwoven Fabric Mills-Wool (Worsted & Wool)	1962	30,971	1.70	22.3	20,396	1.73	19.6	10,575	1.64	26.1
	1966	41,765	1.90	15.8	23,800	1.97	12.2	17,965	1.81	20.7
Structural Clay Products	1964	51,324	2.08	20.8	47,577	2.10	19.9	3,747	1.78	32.2
Miscellaneous Plastic Products	1964	109,482	1.95	19.9	65,939	2.15	9.2	43,543	1.65	36.0
Men's & Boy's Suits & Coats	1963	92,116	2.12	19.5	30,154	2.59	7.8	61,962	1.88	25.1

Wool Textiles: Dyeing & Finishing Plants	1962	4,744	1.82	16.9	3,649	1.92	10.2	1,095	1.51	39.9
	1966	3,559	2.12	7.7	2,702	2.22	5.1	857	1.80	15.7
Textile Dyeing & Finishing	1966	54,774	1.96	16.7	45,523	2.02	12.9	9,251	1.68	35.7
Meat Packing	1963	131,965	2.69	10.0	114,770	2.72	8.5	17,195	2.47	19.8
Leather Tanning & Finishing	1963	25,493	2.13	9.9	23,200	2.16	8.6	2,293	1.80	23.2
Flour & Other Grain Mill Products	1961	15,984	2.22	9.4	15,398	2.23	9.2	586	1.91	17.2
Fabricated Structural Steel	1964	55,429	2.50	6.6	---	---	---	---	---	---
Motor Vehicle Parts	1963	186,684	2.59	6.1	151,756	2.72	3.0	34,928	2.01	19.5
Communications	1961	599,108	2.67	5.9	258,505	---	---	340,603	---	---
Paints & Varnishes	1961	28,340	2.23	5.0	26,819	2.25	4.5	1,521	1.78	12.9
	1965	31,147	2.56	4.7	29,684	2.58	4.6	1,463	2.09	9.7
Electric & Gas Utilities:										
Nonsupervisory Office Workers	1962	115,187	2.42	4.7	---	---	---	---	---	---
Nonsupervisory Physical Workers	1962	290,115	2.86	1.2	---	---	---	---	---	---
Iron & Steel Foundries	1962	152,928	2.50	2.2	151,071	2.50	2.2	1,857	2.06	6.0
Pressed or Blown Glass & Glassware	1964	81,748	2.31	2.1	54,629	2.46	2.1	27,119	1.99	2.7
Synthetic Fibers	1966	62,407	2.45	.7	43,996	2.53	.6	18,411	2.27	.7
Pulp, Paper, & Paperboard	1962	166,769	2.35	.5	160,614	2.37	.5	6,155	1.95	.9
West Coast Sawmilling	1964	83,250	2.66	0.0	---	---	---	---	---	---
Motor Vehicles	1963	460,798	2.90	0.0	---	---	---	---	---	---
Basic Iron & Steel	1962	484,600	3.17	0.0	---	---	---	---	---	---
Cigarette Manufacturing	1965	31,507	2.51	0.0	19,519	2.58	---	14,988	2.38	---
<u>RETAIL TRADE</u>										
Limited Price Variety Stores	1965	277,100	1.31	87.9	35,600	1.59	69.8	241,500	1.27	90.5
Eating & Drinking Places	1963	1,286,708	1.14	79.4	542,654	1.41	62.4	744,054	.95	90.2
Hotels & Motels	1963	416,289	1.17	76.1	197,223	1.32	65.4	214,066	1.04	85.9
Drug & Proprietory Stores	1965	371,800	1.56	71.3	149,800	1.88	61.1	222,000	1.36	78.1
Gasoline Service Stations	1965	476,100	1.52	66.7	460,000	1.52	66.7	16,000	1.37	67.9
Apparel & Accessory Stores	1965	582,100	1.70	59.7	180,200	2.06	40.5	401,900	1.52	68.3
Department Stores	1965	1,019,300	1.75	59.6	298,200	2.22	34.9	721,100	1.54	69.9
Miscellaneous Retail Stores	1965	968,200	1.75	58.0	539,900	1.97	47.2	428,300	1.44	71.7
Retail Food Stores	1965	1,366,800	1.91	47.6	895,300	2.03	42.9	471,500	1.66	56.5
Building Material, Hardware, & Farm Equipment Dealers	1965	488,900	1.98	39.4	412,800	2.03	37.3	76,100	1.67	50.9
Furniture, House Furnishings & Household Appliances	1965	363,900	2.10	38.4	258,800	2.24	31.9	105,100	1.67	54.2
Motor Vehicle Dealers	1965	604,400	2.40	28.7	541,200	2.46	27.6	63,200	1.83	38.5

SOURCE: Industry Wage Surveys, Bureau of Labor Statistics, Department of Labor (1961-1966).

* AHE = Average Hourly Earnings   L.W. = Low Wage

wage which puts it in the poverty employment category. Finally, in turning to the services sector, we find two of the three listed three-digit industries paying well below the low-wage threshold. *

To achieve a more accurate picture of the employed poor, it is necessary to investigate earnings distributions within and between industries rather than average hourly wages. Table 1 shows the percentage of employees in certain selected manufacturing and retail industries who earn a low wage (L.W.).

Characteristics of Low-Wage Industries

A characteristic sketch similar to that of low-wage workers applied to low-wage industries permits some insight into the dynamics of the low-wage sector of the economy. While it may not allow a perfect understanding of all low-wage jobs, it does unveil the economic and social forces conducive to the persistence of poverty employment within the confines of a materially affluent society.

Growth Rate of Average Hourly Earnings. Delehanty and Evans report that between 1958 and 1963 the gain in average hourly earnings in all manufacturing was 17 percent, while the gain in low-wage industries was limited to 13.6.[26] Over a longer period, 1953 to 1963, the median increase for low-wage two-digit industries was but 30 percent while the median in other manufacturing industry exceeded 45. The differential in wage growth rates is also reflected in the relative changes in wages in broader employment categories. ** Between 1947 and 1966 wages in nondurable goods and retail trade rose less rapidly than wages in all manufacturing, and over-all low wage industries within manufacturing produced the smallest gains both relatively and absolutely. The earnings gap between the low-wage industries which employ the overwhelming majority of the working poor and most high-wage industry appears to be growing rather than closing. Relative to the average worker in society, the working poor wage-earner is poorer today than he was 20 years ago, and although some workers in low-wage industries have escaped absolute poverty in the sense that they have broken through the artificial $3,000 threshold, their income position, relatively speaking, has deteriorated. Small decreases in the percentage of low-wage employment among industries in recent years (See Table 1) reflect a minor reduction in absolute working poverty, but camouflage the fact that wage increases have not been spread throughout the industry. Instead, wage dispersion within the low-wage industries has been reduced, possibly due to upward pressure on lowest wages due to broader coverage of minimum wage laws.

Demand for Labor in Low-Wage Industry. All things equal, industries with increasing demand for labor are generally expected to have wages increasing at a faster pace than those where labor demand has slackened. Yet in this regard empirical evidence on low-wage industry appears equivocal. While a number of low-wage industries have had steadily declining employment consistent with slow rather than rapid wage advance, other low-wage industries have had relatively high employment growth rates.

Lumber and wood products, textile mill products, leather and leather goods, laundries and cleaning services, and footwear are prime examples of disappearing low-wage industries. On the other hand, apparel and related products, furniture and fixtures, and above all, retail trade, contradict the expectation as all of these have had healthy advances in employment without a corresponding abolition of their malignant poverty wage scales. Added contradictory evidence is the number of industries which have had large decreases in employment yet have not fallen prey to low wages. Over the last two decades both mining and primary metal industries have had absolute decreases in nonsupervisory production personnel yet have managed to keep wages at a high level, the latter increasing wages at a rate in excess of the average for all manufacturing firms. Obviously all things have not been equal in the economy and hence other factors must be called upon to explain the dimensions of low-wage industry.

Productivity of Low-Wage Industries. When the productivity of a firm increases, presumably wages can be raised, profits can be increased, prices can be lowered, or a combination of the three. In oligopolistic industries, productivity has been rising fairly steadily and the result, at least in part, has been expanding wages and profit margins, often at the same growth rate as productivity or higher. When low-wage manufacturing industries are investigated, on the average they are found to possess productivity growth rates consistent with the gains in the rest of manufacturing. Using the ratio of the Federal Reserve Board's Production Index to total employment as a measure of productivity for the years of 1958-1963, Delehanty and Evans found a 26 percent median increase in productivity for low-wage two-digit manufacturing classifications. For the remaining manufacturing sectors, the median increase was slightly less:

*See Employment and Earnings Statistics, U.S. Department of Labor, Vol. 13, No. 1, January 1967.
** Manpower Report of the President, 1967, Tables C-3 and C-6, pp. 250, 253.

25 percent. Nevertheless absolute productivity in the low-wage sectors was found to be well below that in non-low-wage industries. The value added per production worker man-hour in the low-wage sectors was but \$3.63 while in other manufacturing industry the median was more than double, \$8.17.[27]

The low absolute productivity of labor in low-wage industry (no matter whether the cause is too little complementary capital or inefficient management) partly explains the low level of wages in the poverty industries. But the productivity gains in low-wage industry are not reflected in the relative wage rate changes in low-wage industry. Rather than contributing to higher wages, productivity increases are either being absorbed into broader profit margins or otherwise into lower prices due to raging competition. Productivity, then, cannot alone explain the plight of the low-wage industry and its poverty-stricken workforce.

Profits. Periodically it is suggested that poverty wages are the result of employee exploitation by profit-grubbing monopsonistic firms. Indeed, firms maintaining influence in labor markets can artificially reduce wages below the return due to workers based on their productivity. This results in lower wages for workers and higher money profits for the company. In some low-wage industries where the local labor market is at the mercy of a company town, no doubt exploitation of this kind is practiced. Yet in general the evidence points to low profit margins in the bulk of low-wage industry.

Using Stigler's study of capital and the return on capital in manufacturing, Delehanty and Evans computed the median rates of return (profit margins) over the years 1948 to 1957 for all manufacturing and an isolated set of low-wage industries. The median for the former was 7.33 percent while for low-wage industry, the median was limited to 5.75 percent, a considerably smaller profit margin.[28] More recent data from the Federal Trade Commission and the Securities and Exchange Commission gave comparable results, although they showed a declining relative and absolute gap in the profit margin between all manufacturing and the low-wage sector.[29] Some wage exploitation may be occurring in a few specific industries; nevertheless, the low profit margins recorded here and reported in addition by Gus Tyler[30] of the International Ladies' Garment Workers Union lead us to believe that individual low-wage industries, by and large, have had little success in attempting wage exploitation. The working poor are being exploited by the economy as a whole rather than by the individual firms employing them.

Concentration and Competition. The degree of market concentration in an industry (or conversely, market competition) determines the ability of a firm to administer prices rather than to be forced through economic pressure to submit to an ensuing set of market prices. When product market competition is fierce, because of a plethora of small firm competition, productivity increases tend to resolve into lower commodity prices rather than higher profit margins or higher wages. Juxtaposed to mammoth oligopolistic industries which can set prices without fear of open price conflict, the highly competitive industries (within which many relatively small firms produce the same commodity) cannot match the wages of the titans. Wage increases in manufacturing giants can be passed along at rates equal to productivity, while the competitive firm is often forced to lower prices rather than increase profits or wages. In some cases the oligopolistic firm may raise or be forced to raise wages even above productivity gains, paying for this by cutting into monopoly profits or by boosting the price of their products. The highly competitive firm is rarely in such a position.

Data from Kaysen and Delehanty and Evans point to the much lower concentration ratios in the low-wage industries as we would expect.[31,32] For instance, the latter found that of the 1,132 five-digit product classes in all manufacturing, 23 percent were such that the four largest producers for each product made 60 percent or more of the total output. Prime examples are the industrial titans of automobile, steel, rubber, and aluminum. Among low-wage industry, however, only nine percent of the product classes were produced in highly concentrated industries. Clearly the degree of competitiveness among the low-wage industries is greater than that for the rest of manufacturing, and the same generally holds--probably even to a greater extent--for the low-wage sectors of retail trade and services.

This appears to account neatly for the disparity between productivity and wage gains in the low-wage sector versus the better paying industries. While productivity in low-wage industries has kept pace or in some cases exceeded the rest of industry, wages and profits have not risen as quickly because of the raging price competition in the low-wage sector not present in the rest of the economy.

Nonetheless, a highly concentrated industry per se does not guarantee a higher wage scale, for there is nothing inherent in the size of a firm or in the absence of product market competition which accounts for better wages. Rather, oligopoly provides what might be called a permissive economic environment within which other forces can more easily work for higher wages.[33] Needless to say, such an economic climate is nonexistent for the frail, competitive, often low-wage firm. A permissive economic environment entails capital-intensive production possibilities, the ability to set prices based on product demand conditions, high public visibility, low firm entry, and the opportunity for strong unionism.

Utilization of Capital. Where each worker has a great deal of machinery at his command, output per man will be large and the wage bill, correspondingly, will be a small fraction of the total costs incurred by the producer. As such, wages will have a tendency to be higher than where production is labor-intensive. Furthermore, resistance to wage increases will be less in the capital-intensive industry, for wages make up a small part of operating costs.

Data on manufacturing production functions in the United States give adequate evidence to support the hypothesis that low-wage industries in general are less capital-intensive than more lucrative industries.[34] In four of six low-wage manufacturing industry classifications the extent of capital available was significantly related to the wage level.[35] In most cases the correlation between the size of the firm and the amount of capital per worker was also significant. In both cases the same results certainly must extend to retail trade and services.

Part of the low-wage found in labor-intensive firms is no doubt due to unexploited economies of scale and to the fact that small wage increases, let alone large, add considerably to total operating costs of small firms which are weak in capital. Hence, the lack of capital in the low-wage firm accounts for some of the growing gap in relative incomes between the average worker and the working poor.

Product Demand. Although there is little data on the demand for different products, it is plausible to posit that the demand for many low-wage industry commodities is quite elastic due to product substitutes and foreign competition. Only recently is foreign competition in the heavy goods industry beginning to dent domestic sales and prices in the high-wage sector. In the areas of textiles, miscellaneous manufacturing, watches and clocks, and apparel, foreign competition has been fierce. In some cases, only because of restrictive tariffs, foreign competition has not destroyed a comparatively inefficient domestic industry.

To the extent that a product has inelastic demand, wages can be raised at the expense of higher prices, as in the automobile industry. But where demand is highly elastic, a small increase in price reduces the demand precipitously. When cigar prices rise, smokers switch to pipes and cigarettes; when domestic textile prices rise, fashions turn to imported fabrics. Consequently the low-wage firm has little recourse to a price increase as a means of boosting wages or profit margins. If the firm faces an elastic demand, it runs itself out of the market when it raises prices too high. The choice for workers becomes not low wages or high wages in this industry, but low wages or no wages. In some cases, as in bituminous coal, the choice was against paying low wages to a multitude of coal miners. Instead the industry was mechanized, keeping prices competitive and a great part of the work force was eliminated. Many were thrown out of lifelong work, but those who survived the cut received an adequate wage for their continuing toil.

Public Visibility. When General Motors Corporation announces net profits in excess of 20 percent per year, employs over 400,000 workers, and controls prices in a $20 billion-plus industry, the nation cannot but take notice. The same holds for other major industries in the country. But the nearly invisible low-wage sector of the economy escapes the constant public scrutiny to which the industrial giants are subjected. A large firm can hardly escape paying relatively high wages even if there is little internal pressure from its workforce. The small invisible firm, on the other hand, often avoids the sharp eye of the government inspector and the acute sensitivities of an aroused public opinion. Consequently, low wages and poor working conditions have a better chance of survival in the industries of the working poor. Similarly, laws are drawn so as to exclude many workers in the low-wage sector. As late as 1963, for instance, minimum wage laws excluded from coverage more that 1.5 million restaurant workers, 489,000 hotel and motel employees, more than .5 million laundry workers, 700,000 hospital workers, over three million retail clerks, millions of farmers, and thousands of loggers and agricultural processing workers.[36] Ironically the minimum wage law covers all auto, steel, rubber, and aluminum workers where the average wage is over twice the minimum and literally no one earns less than one and a half times the minimum wage!

Unionization. Although low-wage industry is not so highly unionized as high-wage manufacturing, it is not totally unorganized. Unions exist in many low-wage industries, but they are beset by a number of nearly insurmountable hurdles brought on by the characteristics of most low-wage industry. The same barriers account for the sectors of low-wage industry devoid of unionization.

Already we have alluded to the fact that there is nothing inherent in the nature of oligopolistic industrial giants which explains, not their ability, but their actual granting of higher wages. If we are to fully understand the causes of high wages and consequently those of low wages and working poor jobs, it is necessary to include the all important dimension of unionization.

A number of studies over the past few years have shown that greater rates of wage increases have been strongly associated with a relatively high degree of oligopoly, high profit rates, and strong unions.[37] Yet these forces do not act independently, but rather bear systematic relation to each other. It is here that we find that high product market concentration and high profits provide the footing for a permissive economic environment in which strong unions can reap economic and social rewards for their members. Where an industry is inhabited by a few massive price-setting, highly mechanized, noncompetitive, publicly visible, and highly profitable firms, entry of new firms is highly improbable and indeed quite rare. The needed initial resources are too vast to be accumulated by a newcomer. Consequently, once unions have become established, they are relatively secure and free from the competition forced by an unorganized sector in the industry. Free to press for higher wages without fear of eliminating jobs by pricing their firm's product above unorganized competition, the union can demand its share of productivity and productivity gains, which in a capital-intensive industry are usually relatively high. With the industry held up to the inspection of both government and the public, the industry is doubly careful to refrain from inappropriate activities vis-a-vis their employees and their union. The high profits of the titans of industry present a choice target for union wage demands when bargaining sessions open.

In some high-wage industries, the product market nevertheless fails to be characterized by oligopolistic, highly profitable firms. High wages in these industries can usually be explained by the ability of the market to self-regulate entry or for unions to tightly control firm entry themselves. This is usually due to the spatial characteristics of the industry. The coal industry, located in Appalachia is controlled by the United Mine Workers in this way, and the Teamsters who operate in a highly competitive industry, yet reap high wages, are able to control entry through over-the-road spatial agreements.

Therefore, we can conclude that most industries which are capital-intensive, highly profitable, and free from raging competition have the ability to raise wages with relatively less pain and effort than other industry. Furthermore it is precisely this economic environment which provides the most suitable conditions for strong unions. They can tackle the ability of their industries to pay high wages and turn it, through collective bargaining and the threat of collective action, into real wage advances for their members. In other industries where unions can control entry and organize the whole market, high wages are also possible, although sometimes, as in the bituminous coal case, at the expense of eliminating many jobs.

In the low-wage sector, we have found nearly the opposite conditions. And indeed the low-wage industries represent, to a great extent, the end result of a repressive economic environment. Absolute productivity is well below that of all industry, less capital is utilized in production, profit rates are smaller, and most importantly, competition flourishes. The ability of many low-wage industries to pay adequate wages, without drastically cutting employment is seriously open to question. Furthermore, the repressive environment stymies union organization and the pressure of unions for higher wages. Where an industry is so established that entry is free and open to new unorganized forms, we can expect weak unions and most probably low wages. Where industries are marked by easy entry, fierce national and international competition, highly elastic product demand, low profits, and low productivity, we can almost be assured of two things: If a union exists at all, it is bound to be weak and ineffective, and, here we shall surely find a good number of our working poor. Such is the case in textiles, apparel and related products, cigar manufacturing, fertilizer manufacture, and so forth. Many of the same characteristics are found in agriculture and the retail and service trades.

The same characteristics do not always apply to all industries which pay low wages and employ America's working poor. Some fail to pay higher wages because of foreign competition (watches and clocks, for instance). Some fail primarily because of low advances in productivity such as in nursing care and retail trade. Others fail for the most part due to one or more of these factors plus elastic demand for the product, e.g. cigar manufacturing. * Most fail, however, because of the competitiveness of their product markets.

It is interesting to note that precisely where the market approaches its theoretical best--in the firms furthest from monopoly and closest to laissez-faire--the market cannot supply jobs adequate enough to feed a man's family. In part this arises because of the fact that the marginal industry exists in an economy alongside of oligopolies. As Gus Tyler has put it most eloquently,

> Just as small industry must lose out to oligopoly in the struggle for the market, so too, must the worker in the competitive, mobile, low-profit trades lose his standing relative to the worker in the mechanized, immobile, high-profit industries.
>
> The 25 percent profit return on original investment not uncommon in steel and autos as contrasted with the one percent profit in garments does not derive from an inherent virtue of metal over fabrics, but from the monopoly character of the former and the competitive character of the latter. The workers in the latter industries suffer although many of them possess skills as great or even greater than those required in the basic industries.[38]

The inadequate incomes of most of the working poor are not of their own making. If we are to blame them for anything it must be for not having the good fortune to complete an education topped off by a college degree. Rather we must blame the economic system which in too many instances provides less than an adequate job for those of adequate talents. In dealing with the working poor it is not enough to deal with the problems of individuals--too little schooling, not enough training, inadequate housing and filthy neighborhoods, no hope, and no political power. We must also find solutions for the economic system which continues to provide a poverty wage sector right into the decade of the Seventies.

What Can Be Done

The vogue solution to the poverty of those able to work, but either unemployed or low paid, has been to inject a dose of retraining and subsequently place the individual back into the labor force, presumably equipped to function in America's high speed economy. Yet it should be clear that for many of the working poor (and many of the unemployed) the problem is not so much a lack of individual preparation but the inability of a section of the economy to furnish an adequate wage for what is adequate work. Manpower retraining is needed for those who can benefit by progressing to better paying occupations. But it cannot attack the root causes of low-wage jobs which, given their existence, will inevitably fall to those least able to take advantage of the affluent sectors of the economy.

To attack effectively and successfully vanquish low-wage jobs requires a combination of measures emanating from the government and the trade union movement:

(1) Minimum wage legislation must continue to be broadened and raised. Those industries not covered by such legislation must be included, and the minimum must be raised to at least $2.00 per hour. While this will assure those working in any industry an above-poverty line income, it will still, unfortunately, leave many with inadequate incomes.

(2) The Congress must act to repeal Section 14(b) of the Taft-Hartley Act in order to eliminate the legally sanctioned open shop plaguing union organization. This section of the law has been most effective in the South in preventing unions from forming, and without national support for union organizing, those regions where unionization is needed most will fare the worst.

(3) The trade union movement must take a major offensive in eradicating poverty wage scales. In many ways, the movement itself has supplied the climate within which the nonorganized sector has wallowed. By raising wages some unions have decreased employment in their industries. Those displaced from the high-wage industries are subsequently added to the pool of those seeking employment. Consequently, wages in the nonorganized sector are forced down due to the added competition for remaining jobs.

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*Note that no working poor are in the cigarette industry although over one-half of all cigar workers are paid low wages. This is mostly due to the fact that cigarette manufacture is capital-intensive, oligopolistic, highly profitable, unionized, and faces an inelastic market for its product. In the cigar industry the conditions are reversed.

Furthermore, unions have had at least some effect in terms of creating inflation. While having little impact on the unionized sector due to strong collective bargaining and cost of living arrangements, inflation has taken a great toll from the real incomes of those working in the unorganized unprotected sectors. Consequently, in this sense, unions in America have a long-standing debt to the unorganized. Using its resources, the trade union movement can pay that debt and raise the working poor from their miserable existence. Trade unions must organize the unorganized and aid new unions financially and otherwise in taking on the tasks of organization.

(4) Finally, it must be made clear that the raising of wages to adequate levels in many present low-wage industries will necessarily entail cutbacks in employment, sometimes of drastic proportions. It thus becomes necessary to assure a guaranteed minimum income provided as a matter of right to all those who have worked and would work if jobs were available. Recent discussions of negative income tax proposals and children's allowances must be seen as crucial to the whole matter of the working poor and a solution to the question of poverty in America. If an industry cannot pay an adequate wage, serious thought is necessary as to whether that industry should be permitted to survive at the cost of maintaining its workers at a poverty level. If the industry is crucial, it may be deemed necessary to subsidize it so that it can pay decent wages without decreasing its production. Otherwise such inefficient industries or individual firms within an industry should be forced to meet the minimum standards for wages and working conditions or leave the market. The end result of such a program will be to reduce competition and reduce the repressiveness of the economic environment. It should not be the workers who suffer for the inefficient operation of these sectors or the consequent reduction in employment as they are forced from the market.

In short, our commitment must be to a complete abolition of low wages and to the assurance of an adequate job for all Americans. Furthermore, we must be willing to guarantee a minimum standard of living to those displaced because of frictional alterations in low-wage industries.

FOOTNOTES

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4. Ibid.
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12. Cummings, op. cit., p. 831.
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15. _Ibid._, p. 828.

16. Dawn Wachtel, _The Working Poor_, Institute of Labor and Industrial Relations, University of Michigan-Wayne State University, Ann Arbor, 1967.

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19. _Ibid._, p. 33.

20. Orshansky, "More About the Poor in 1964," pp. 8, 14.

21. Gerald G. Somers and Glen G. Cain, _Geographic Mobility and the Reduction of Poverty_, Office of Economic Opportunity, July 1965, p. 3.

22. Calculated from Table D-2, p. 81 in _Employment and Earnings Statistics_, U.S. Department of Labor, Vol. 13, No. 1, January 1967.

23. Somers and Cain, _op. cit._, p. 6.

24. Delehanty and Evans, _op. cit._, p. 44.

25. _Employment and Earnings Statistics_, Table C-2, p. 60, U.S. Department of Labor, Vol. 13, No. 1, January 1967.

26. Delehanty and Evans, _op. cit._, p. 44.

27. _Ibid._, p. 11.

28. _Ibid._, p. 13.

29. _Ibid._, p. 14.

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38. Tyler, _op. cit._, pp. 323-324.