Low Wages in America

Low-Wage America: How Employers are Reshaping Opportunity in the Workplace. Eileen Applebaum, Annette D. Bernhardt, and Richard J. Murnane, New York, NY, Russell Sage Foundation, 2006, 533 pp., $45.00 hardback; $22.50 paperback.

This book is the fruit of an extensive research effort into the working conditions of low-paid workers (with at best a high school education, employed in a broad variety of service and manufacturing industries) and management strategies to cope with the cost pressures, training needs, and career ambitions of these employees. Unfortunately, those strategies often include the computerization of the routine work done by low-paid workers, diminishing their security of tenure—in effect, "disemploying" many of them, according to the authors.

About one quarter of the American workforce currently consists of low-wage workers. Using updated data for illustrative purposes, when these workers worked full time, year round, they earned roughly $22,000 in 2008, close to the poverty line for a family of four; The Economic Policy Institute, cited by the authors, estimated that a "no frills annual budget" for such a family ran about twice that much that year. Some low-wage workers, to be sure, live in families with other employed members, that improved their living standard; others may eventually be able to learn sufficient skills to escape their low earnings status. But large numbers remain relegated to poorly paid jobs. According to a recent study, 60 percent of families in the lowest income quintile, which would include low-wage earners, had not moved to a higher quintile after ten years. Tight labor markets, as occurred during the 1990s, diminished the proportion of low-wage labor, but even during that decade, when unemployment rates fell to their lowest levels in 30 years, "real earnings of male high school graduates (did not) return to their 1970s levels."

The book includes case studies of individual firms in 12 industries which employ large numbers of low-wage workers. The studies are essentially based on interviews of managers and front line workers conducted over lengthy time periods from the late 1980s to the early 2000s. The studies found that the transformation of technologies, globalization of competitiveness, and shareholder pressure to maintain or raise short-term earnings—all made as a result of management's close attentiveness to costs—impinged upon wages and other worker compensation, and that these factors are unlikely to lose their force in future years.

Here is a brief summary of some of the studies' findings on low wage workers in selected occupations: hospitality (hotels), hospital, banking, call centers, and a few manufacturing industries.

Technological solutions to raise productivity to respond to cost pressures typically cannot be applied to the labor-intensive processes characteristic of the *hospitality (hotel)* industry. As a result, work assignments in hotels may be enlarged: for example, more rooms per day per housekeeper may be assigned even as guest conveniences are added to the workload. Much work is contingent, or on call, so that many housekeepers cannot count on full-time earnings. Some functions, such as food and beverage servicing and cleaning of public areas, are subcontracted; management may thus feel less encumbered by the threat of unionization since contract work is usually harder to organize. Where unions are present, however, the authors found a cooperative collaboration between management and employees in meeting training needs as well as ensuring that contractually stipulated rights are observed.

The *hospital* industry has been under severe cost pressures. Despite the fact that hospitals have been consolidated and more medical procedures are performed on an outpatient basis, employee workload has nonetheless increased with the rising number of elderly patients and their unique needs. The study looked at ways of making work more satisfying and interesting, such as by assigning more than one task and responsibility. Yet, even with enhancements, the authors found that "workers in these jobs are no more satisfied than are other workers," except that they are less likely to quit. Another consideration is that this study of low-wage hospital employment conditions and human resource problems was undertaken during a period of tight labor markets and low unemployment, which confronted managers with costly turnover of personnel, rather than today's environment of much higher unemployment and (presumably) less pressure to make concessions.

The study also looked at food service workers, housekeepers, and nursing assistants. The workers in the former two occupations frequently have at best a high school education; nursing assistants may have some

college background. At locations where trade union density is high and hospital workers are organized, unions usually offer training and assistance to workers to complete a high school education or its equivalent. Nevertheless, cost pressures on the industry from insurance companies and Medicare payment cutbacks have largely precluded other desirable job enhancements.

The authors next turn to *banking*, a key service industry where computerization has tended to sharply reduce the employment of persons doing the routine work. This has in particular been the case in check processing and teller work. "Computers…supplant or augment human cognition in a vast set of information-processing tasks that have historically been the mind's exclusive dominion. In economic terms, advances in information technology have sharply lowered the price of accomplishing procedural cognitive tasks. Accordingly, computers increasingly substitute for the routine information-processing, communications, and coordinating functions performed by clerks, cashiers, telephone operators, bank tellers, bookkeepers and others handling repetitive information-processing tasks." The cognitive tasks fed into computers require an ordered sequence of instructions, "specifying how to achieve a desired end"–clearly applicable to check processing. Problems, of course, arise in a day's work involving the processing of tens of thousands of checks to be credited (or debited) to customer accounts or to be routed to other banks. Unfortunately for low-wage workers, such problems must often be resolved by better educated workers engaged in nonroutine, cognitive tasks hired for their problem-solving abilities. Digital imaging of checks, rather than packaging them for transit to customers or other banks, has also eliminated low-skill jobs. The authors feel the continued offshoring of other computerized banking operations to low-wage locations would spell "a significant loss of jobs for less educated workers in the parent plant."

The authors' study of *call centers* is emblematic of the impact of information technologies, mechanization, and industrial engineering on the service industry. At the time of the book's publication, some 70,000 call centers existed in the United States, employing roughly 3.9 million workers. Advances in technology (especially in the banking, airlines, and telecommunications industry) together with globalization and deregulation of certain industries made it possible for call centers to cover increasingly large geographical areas. New entrants were unconstrained by unions or state public service commissions. Some centers employ several hundred workers, "but only through high levels of mechanization and standardized work rules, which typically create greater alienation, absenteeism, and turnover." Such work rules also facilitate a more minute division of function, reducing skill requirements of jobs. Furthermore, automation takes the control of pacing responses to calls away from the worker—a completed call is immediately followed by another call—creating "an assembly line of calls…" Electronic performance monitoring facilitates enforcement of standardized rules, including time spent per call. Workers' job insecurity is increased by the ease with which call centers can be relocated to lower wage areas, though it is true that, in telecommunications at least, unionization has sometimes succeeded in contractually insuring that no such relocation will be undertaken and helped raise wages of unionized employees. Still, the ease with which call centers can move operations has impeded unionization efforts.

The medical, dental, and optical instruments *manufacturing* industries once employed large numbers of high school graduates. But the introduction of continuous motion machines significantly increased assembly line speed, computerized control devices now quickly detect line malfunctions, and robots package the completed product. Hence, while productivity in the plants studied has improved, employment fell by 20 percent over the ten years prior to the study as more newly designed products were added to the mix. Interestingly, skill requirements in these industries became **more** demanding: employees had to be able to check automated equipment and develop and display diagnostic and interpersonal skills. One positive development is that some firms had to furnish training to develop such skills, and, as in steel, the evolving high skill level of the work force would be an additional disincentive for relocating abroad.

Fortunately, for some *manufacturing* industries discussed in this book, relocation is of little if any interest. Thus, medical, dental, and optical instrument manufacturers prefer to stay in close contact with R&D enterprises, as well as with customers, to expedite response to their special needs. Labor costs in steel rolling and finishing mills are relatively small, while the investment in capital equipment is so large that, at the time of the study, no interest in relocating the industry or parts of it was expressed. Moreover, workers' ability to monitor the production process, combined with their

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computer literacy and their experience, was rated high by management representatives.

The authors of this work argue that, as a result of international competition, U.S. manufacturing firms have faced the choice of taking either the "high road" "of producing innovative products with skilled, highly paid workers, or the "low road" of producing commodity products with low-paid, unskilled workers. Yet, there are some emerging manufacturers which are able to combine the two strategies—making innovative products but employing "moderately skilled, low-paid workers." Such combinations "may well be a bellwether for overall trends in U.S. manufacturing."

Strong advances in productivity typically limit employment opportunities in manufacturing; for example, manufacturing output more than doubled between 1979 and 2007 (the most recent cyclical peak year), while employment diminished 29 percent. At least some service industries posted strong gains in productivity, and employment opportunities in them were occasionally constrained by offshoring. Other service sector industries were more closely tied to domestic consumption; efficiency of their delivery was more likely to be outsourced to specialized contractors, which often negatively affected the pay and security of tenure of their domestic workers.

The authors have done an excellent job reporting the results of their research. I found this book highly enlightening and strongly recommend it. □

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