

# LEHD Fact Sheet

## Low Wage Work

### Purpose

The purpose of this work is to identify those matches between low wage workers and firms that lead to successful earnings and employment outcomes. Because we are interested in the effect of job "quality" on earnings and on using administrative definitions to identify low wage workers, we focus particularly on workers who have substantial labor force attachment.

### Approach

We identify individuals as low wage workers if they meet both an earnings criterion - they earn no more than \$12,000/year (in 1998 dollars) for each of three years – and a labor force attachment criterion – they are employed for at least two quarters in each of three years. These criteria, combined with a restriction that the workers are between 25 and 55, capture a group of "persistently" rather than "transitorily" low-wage workers. Our match of this group with workers in the Current Population Survey revealed that this administrative low-wage definition was largely consistent with other low-wage definitions (such as minimum wage, living in poor families and low education).

We will first establish a set of facts: describing the characteristics of low wage workers, the industries they work for, and who escapes low-wage work. We then examine the sources of the escape: the role of wage growth within firms, and the role of movements across firms and industries. This is linked to the characteristics of the firms for which low-wage workers work: in addition to industry, the size, turnover, job creation, and firm specific wage premia (firm fixed effects). Finally, we examine the role of location, institutions and macroeconomic effects on the number and characteristics of low-wage workers.

### What is returned to the state partners

1. Tables pertaining to their state
2. Intermediate and final reports

### Selected Results

- About 12% of workers are low wage according to our definitions: 16% of females and 9% of males
- Of these low-wage workers, 24% are foreign born.
- 11.3% of all low-wage workers are employed in eating and drinking establishments; 11% in educational services, and 10% in business services
- Almost 70% of low-wage workers are employed in only 10 2-digit industries
- 26% of low-wage workers work for businesses that have fewer than 25 workers
- 30% of workers who are low-wage in 1993-95 are also low-wage in 1996-98, 25% earn more than \$12,000 in at least one of the three subsequent years, and 4% earn above \$12,000 in each of these years. 40% are no longer seen in the data.
- Women are more likely to remain low-wage than are men; foreign born are more likely to remain low-wage than native born
- 2/3 of those who escape low wage work do so through a job change, and about 1/2 do so through an industry change

### Supporting Documentation

*"Workers and Firms in the Low-Wage Labor Market: Interactions and Long Run Dynamics"* : proposal submitted to the Russell Sage and Rockefeller Foundations,

*Authors:* John Abowd, John Haltiwanger, Harry Holzer and Julia Lane

*"Escaping Poverty for Low-Wage Workers: The Role of Employer Characteristics and Changes"*:

*Authors:* Harry Holzer, Julia Lane and Lars Vilhuber

*Book Outline*

*Authors:* Harry Holzer, Julia Lane and Fredrik Anderson

*Tables*



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