Low-Wage Workers Now Have Options, Which Could Mean a Raise

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FULL TEXT

The sharp rebound in hiring, especially in service industries, is widening opportunities and prompting employers to compete on pay.

McDonald's is raising wages at its company-owned restaurants. It is also helping its franchisees hang on to workers with funding for backup child care, elder care and tuition assistance. Pay is up at Chipotle, too, and Papa John's and many of its franchisees are offering hiring and referral bonuses.

The reason? "In January, 8 percent of restaurant operators rated recruitment and retention of work force as their top challenge," Hudson Riehle, senior vice president for research at the National Restaurant Association, said in an email. "By May, that number had risen to 72 percent."

Restaurant workers —burger flippers and bussers, cooks and waiters —have emerged from the pandemic recession to find themselves in a position they could not have imagined a couple of years ago: They have options. They can afford to wait for a better deal.

In the first five months of the year, restaurants put out 92 percent more "workers wanted" posts for waiters and waitresses than they had in the same months of 2018 and 2019, before the coronavirus pandemic shut down bars and restaurants around the country, according to data from Burning Glass, a job market analytics firm.

That's not all: The jobs that waiters and waitresses typically transition to —as bartenders, hosts and hostesses, chefs and food preparation workers —are booming, too.

Something similar is happening all along the least-paid end of the labor market. Many employers have blamed expanded unemployment benefits for their troubles in filling gaping job vacancies. But the sharp rebound in hiring —clustered in urban service industries —is creating bottlenecks in sets of occupations that are improving prospects across much of the nation's low-wage labor force.

Marcela Escobari, Ian Seyal and Carlos Daboin Contreras of the Brookings Institution in Washington offer an occupation-by-occupation analysis of this dynamic.

Of the roughly 11 million jobs lost between the first quarter of 2020 and the first quarter of this year, they found, over four million were in occupations that are bouncing back with a double benefit: Demand for workers is high, and they are launching pads for sometimes higher-paying jobs that are also growing rapidly.

For instance, between January and May there were almost three times as many job postings for construction laborers as the average for the same five months of 2018 and 2019, according to the Brookings analysis. What's more, painters and carpenters —two occupations that construction workers typically move to —are also awash in offers.

At the same time, construction may be drawing workers from other occupations. While many contractors —especially in residential building —are desperate for workers, "trucking seems to be even more desperate," noted Ken Simonson, chief economist of the Associated General Contractors of America. One reason might be that construction, with its high pay, tends to attract a lot of truckers.

"A lot of construction workers have commercial drivers' licenses," Mr. Simonson added. "Trucking companies call it poaching. I would call it luring."

Building cleaners are in hot demand. But an unemployed janitor who wants something better can probably get a job as a groundskeeper, a house cleaner or a construction laborer. These are among the five occupations that building cleaners most often move to, according to the Brookings data. And they are booming, too.

Something similar is happening in the market for personal care aides and nursing and home health aides, along with practical and vocational nurses, who are much better paid. All are experiencing a jump in job postings.

Some two-thirds of the more than four million jobs are in occupations at the lower end of the wage structure, paying less than $17.26 an hour. The job market is booming far less for occupations paying more than $30.

“What’s happening right now is not about the wages of college grads going up —it’s about the wages of lifeguards at my pool,” said Betsey Stevenson, a former chief economist at the Labor Department who is now at the University of Michigan. “That closing of the wage differential could persist.”

And this might help explain the peculiar nature of the labor market’s rebound from the pandemic, in which high unemployment coexists with complaints of labor shortages.

“Undergirding that is the sense that workers at the very bottom have options to work for a better job,” Ms. Stevenson said. “What employers are used to paying won’t really cut it.”

More than 3 percent of workers in the private sector quit in April, according to the Labor Department. That is the highest rate since the government started collecting the data two decades ago. The rate eased only slightly in May, to 2.8 percent. And quitting is particularly notable near the least-paid tier of the labor market: 5.3 percent of workers in leisure and hospitality and 4 percent of workers in retail quit in May.

Pay seems to be responding. Wages of workers with only a high school certificate have been gaining ground on the pay of their peers with more education since the spring of last year.

Might this be just a flash in the pan? Heidi Shierholz, who was also a chief economist at the Labor Department during the Obama administration and is now director of policy at the left-leaning Economic Policy Institute, is skeptical that the job market is breaking with its decades-long trend of wage stagnation at the bottom and lavish rewards at the top.

“How much of what this captures is just a trampoline effect?” she wondered. “The jobs that come back tend to look like the jobs that were lost.” After the dust settles and the employment holes created by the pandemic in several industries fill up, the deal offered to workers might look much like it did before the pandemic.

Ultimately, “we are stuck in a world where labor is very cheap and we don’t expect much from it,” Ms. Stevenson said. “I don’t see this pandemic fundamentally reshaping that.” Ms. Shierholz put it this way: “There has not been any fundamental restructuring of power in the economy.”

Some of the more lasting changes brought about by the pandemic could work against low-wage workers. Restaurants, taxi fleets and hotels in big cities are likely to see less business as companies cut back on business travel and people working remotely cut back on downtown lunches and happy hours.

More job losses should be expected if fast food joints and other service businesses decide to replace their face-to-face workers with robots and software. Yet there are signs that the country’s low-wage labor force might be in for more lasting raises.

Even before the pandemic, wages of less-educated workers were rising at the fastest rate in over a decade, propelled by shrinking unemployment. And after the temporary expansion of unemployment insurance ends, with Covid-19 under control and children back at school, workers may be unwilling to accept the deals they accepted in the past.

Jed Kolko, chief economist at the job placement site Indeed, pointed to one bit of evidence: the increase in the reservation wage —the lowest wage that workers will accept to take a job.

According to data from the Federal Reserve Bank of New York, the average reservation wage is growing fastest for workers without a college degree, hitting $61,483 in March, 26 percent more than a year earlier. Aside from a dip at the start of the pandemic, it has been rising since November 2017.

“That suggests it is a deeper trend,” Mr. Kolko noted. “It’s not just about the recovery.”

Other trends could support higher wages at the bottom. The aging of the population, notably, is shrinking the pool of able-bodied workers and increasing demand for care workers, who toil for low pay but are vital to support a

growing cohort of older Americans.
“There was a work force crisis in the home care industry before Covid,” said Kevin Smith, chief executive of Best of Care in Quincy, Mass., and president of the state industry association. “Covid really laid that bare and exacerbated the crisis.”
With more families turning their backs on nursing homes, which were early hotbeds of coronavirus infections, Mr. Smith said, personal care aides and home health aides are in even shorter supply.
“The demand for services like ours has never been higher,” he said. “That’s never going back.”
And some of the changes brought about by the pandemic might create new transition opportunities that are not yet in the Brookings data. The accelerated shift to online shopping may be a dire development for retail workers, but it will probably fuel demand for warehouse workers and delivery truck drivers.
The coronavirus outbreak induced such an unusual recession that any predictions are risky. And yet, as Ms. Escobari of Brookings pointed out, the recovery may provide rare opportunities for those toiling for low wages.
“This time, people searching for jobs may have a lot of different options,” she said. “That is not typical.”

DETAILS

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