The American Dream Denied?

Low-Wage Work in Metro Denver
**FRESC: Good Jobs, Strong Communities** is a non-profit organization whose mission is to ensure that Colorado jobs pay livable wages with family-supporting benefits, and that families have access to affordable housing and a good quality of life.

This report is part of FRESC’s initiative to Rebuild the American Dream for working families in the Denver metro region. Specifically, the report grew from a dialogue that began in 2007 and included 9to5 National Association of Working Women; the Piton Foundation; The Bell Policy Center; Rocky Mountain Joint Board, Workers United; and Service Employees International Union Local 105. Recognizing low-wage work as a significant barrier to achievement of the American Dream, the group identified a need to better understand the scope of the sector and its workers, and a desire to launch a dialogue with other regional stakeholders on the challenges and potential solutions.

This report would not have been possible without the significant contributions of these partners. FRESC gratefully acknowledges the Piton Foundation for grant support of this project. We would also like to thank Matt Barry of the Piton Foundation for input on research scope, analysis of industries and occupations, and review and feedback. Finally, we thank Rich Jones of the Bell Policy Center and Linda Meric of 9to5 National Association of Working Women for contributions to the development of the paper concept and for review and feedback on drafts.

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The ability of our nation to meet the great economic, social, and environmental imperatives of our time...rests largely on the health and vitality of our metropolitan areas. ~Brookings Institute, Metro Nation: How US Metropolitan Areas Fuel American Prosperity
Key Findings

❖ Low-Wage Workers Make Up a Large Portion of the Denver Metro Workforce
  Over 365,000 metro workers, or more than one in four, are employed in a low-wage occupation with median wages of less than $13.01 per hour.

❖ Low-Wage Jobs in the Metro Area are Projected to Continue Growing
  More than a third of projected job growth by 2016 in the metro’s largest occupations will be in low-wage occupations likely to pay less than $13.01 per hour.

❖ The Metro Area is Losing Middle Class Families
  According to the Brookings Institute, the proportion of middle-class families in the Denver metro area fell by 10.2% from 1970 to 2005.

❖ The Divide Between High-Wage & Low-Wage Workers in the Metro Area is Growing
  Because wages of high-wage workers are growing at a faster pace than those for low-wage workers, the gap between the highest and lowest paid jobs in the region has grown steadily over the past 50 years.

❖ Low-Wage Workers Have a Hard Time Making Ends Meet in the Metro Area
  446,933 workers, or nearly one out of three, earn less than what it takes for an individual to make ends meet based on the Self-Sufficiency Standard for the region.

❖ There are Racial and Gender Disparities in the Metro’s Low-Wage Sector
  African-Americans and Latinos are over-represented in many of the largest low-wage occupational categories. Women in low-wage jobs earn even less than their male counterparts.

❖ Few Workers Make the Leap Out of Low-Wage Work
  National evidence demonstrates a stubborn lack of mobility within low-wage industries, as well as difficulty moving out of low-wage jobs into other sectors.
I work 16 hours a day to support my family, during the day as a non-union construction worker and at night as a union janitor. The benefits of the union job make a big difference in my life. It makes my life easier. However, I start working at 6 a.m. and after my first job get only an hour and a half at home to eat with my family and shower before I need to leave for my next job at 5 p.m. I come home at 2 a.m. for the day and I don’t see my children except for that one hour everyday and on weekends. I don’t know too much about my children’s lives because there isn’t time in the day. I have to call them on the phone from work to check in. I can’t see them one on one. I don’t know what happens with the education for my kids.

~Samuel, janitor and construction worker
The 2008 Presidential campaign reinvigorated public discourse on the “shrinking middle class” and access to “economic opportunity.” The current recession has led to policy debate at the local, state and national levels on how to create new jobs quickly, particularly in sectors like new energy technology, with the hope these emerging middle-class sectors will stabilize the economy through wages translated into spending. Neither the discourse on the middle class nor the current debate on how to achieve short-term job growth have addressed a significant and growing sector of the economy – low-wage jobs and the workers who fill them. Long before the foreclosure crisis, stock-market meltdown, and the recession, the growth in this sector was impacting both the well-being of families and the sustainability of the local and national economy.

Over the past fifty years in the Denver metro area, low-wage service sector jobs have replaced many of those lost from sectors like manufacturing. Moreover, when new high-wage jobs such as biotech research or engineering are added to our region, low-wage jobs in industries like food service, hospitality, and property services are created to support those high-wage workers. Any discussion of stimulus or job creation is incomplete without a deeper understanding of the low-wage sector of our economy, and its implications for the long-term stability of families and their economic well-being.

“The ability of our nation to meet the great economic, social, and environmental imperatives of our time...rests largely on the health and vitality of our metropolitan areas,” according to a recent report by the Brookings Institute. So although the national economic debate can and should do a better job of addressing low-wage work, a deeper understanding and dialogue at the local level is also necessary. The strength and prosperity of a metropolitan region is
tied to the prosperity of its residents. The economic well-being of most residents in a region is determined by their earnings from work. Amid newly generated excitement about the Denver metro region’s opportunity to attract renewable energy and other high-skilled, high-paying jobs, a disproportionate number of poorly paid jobs are also forecast to be created in the region. Understanding the size, scope, and conditions of this less talked about low-wage sector is critical as local decision-makers, business, and community leaders contemplate the region’s economic future.

This report is important and timely for several reasons. First, the size of the sector and the wages earned by its workforce make up a large proportion of the broader regional economy. Not only are low-wage workers essential for running businesses, often directly supporting high-wage workers, but they are also a significant market for goods and services, stimulating additional downstream economic activity. It is widely accepted that seventy percent of economic activity is generated by individual spending. More individuals with greater prosperity translates directly into the purchase of more goods and services from the local economy, thus fueling economic growth. The low wages earned by workers in this sector limit workers’ spending power, and thus reduce demand for other goods and services that create jobs. Most service sector jobs are not portable, so the question is not whether these jobs will continue to be a force in our region’s economy, but rather what kind of force.

A public dialogue on low-wage work is also important to address the not-so-hidden costs borne by the taxpayer-funded public sector when families of low-wage workers are unable to make ends meet in spite of paid employment. If wages and conditions in this growing sector remain unchanged, the public costs for essential human services
will also grow in order to fill the gap between low wages and the cost of basic necessities. Concern over these costs is further heightened by the current and foreseeable budget crunches faced by our local and state governments.

Finally, our community has a moral obligation to face the long-term consequences of immobility out of the low-wage sector. Intrigenerational economic mobility can be understood as the ability of a family to rise to a higher income bracket over time. Intergenerational mobility is the ability of the next generation to move beyond the economic status of their parents. The evidence demonstrates there are few paths for low-wage workers to move beyond the sector. The persistence and size of the low-wage sector slows the rate of economic mobility for a significant segment of our community. The principles of the American Dream dictate that those who work hard should be able to provide for their families and “get ahead,” ensuring that the...
next generation will be better off. We must consider the implications of failing to act when a growing percentage of people in our region is denied the promise of the American Dream, even while working hard to hold up their end of the bargain.

Low-wage job trends transcend the current economic downturn. The data presented in this paper were largely gathered prior to the start of the economic downturn in late 2008. Due to the lag in data availability for many indicators, the numbers do not reflect the region’s rising unemployment rate which has risen above 7%, including the loss of service sector jobs, particularly in retail. Despite some service job losses, there is no indication that the low-wage sector will be a less prominent segment of our overall economy after we move out of the current recession. Because these jobs cannot be outsourced, and because they are created alongside any newly created high-wage jobs, the low-wage sector will continue to comprise a significant portion of our local economy. And the challenges of the low-wage sector will persist in good times as well as bad, absent a new direction.

There is no universal definition of what constitutes a “low-wage” job. This paper draws upon three approaches commonly utilized in the academic literature. In some cases we focus on occupations that pay less than 75% of the regional area’s median wage. In other instances we examine those industries and occupations that pay the lowest median wages, regardless of where those wages fall in comparison to the overall area median. Finally, we address what constitutes a low wage for a particular household based on what it actually costs to meet their basic needs.

We all have a stake in the low-wage economy and its workers. This report sets out to describe the region’s low-wage sector, its workers, and projections for future
growth. Based on a common understanding of the sector, the intention is to stimulate a public discourse on how we might advance the economic prosperity of both families and our region through efforts focused on transforming the low-wage economy.

Although the exact industries or figures might vary slightly, metro Denver’s story parallels that of our state and our nation. Middle-income jobs have declined. Changing market demands and growth in high-wage sectors have resulted in corresponding growth in the number of low-wage service sector jobs and the proportion of these jobs in the overall economy.

Colorado’s population skyrocketed from the 1950s to the 1970s, driving a shift in employment. In the 1950s and 1960s, Colorado became the home of large military and defense operations such as the Lowry Air Force Base, the North American Aerospace Defense Command (NORAD) and the Air Force Academy. More housing was built in the 1970s than during any time previously in the state’s history, and the composition of Colorado’s labor market drastically changed. Whereas Colorado’s largest employment sectors once included agriculture, manufacturing and production of natural resources, the shift to a higher-tech economy and growth of the suburbs generated increased demand for services and retail.

Between 1960 and 1990, the number of jobs in the state’s public sector decreased by 6 percent of the total non-farm labor force (from 23 to 17 percent). Manufacturing jobs saw steady declines from a peak of 19 percent in 1940 to 11 percent by 1990. While new high-skilled workers had the income and financial security to achieve a middle-class lifestyle, the thousands of new jobs created in the service and retail sales sectors paid considerably less than the industries in decline.

Most recently, the 2001 recession eliminated more middle-class jobs, this time in some of the newer industries that had
boosted the economy and increased average family incomes in the 1990s, such as information services, financial services, and professional/business services. That recession also led to large declines in residential construction and fewer jobs in manufacturing, mining, and energy.\textsuperscript{11}

These trends held true for the metro Denver economy as well.\textsuperscript{12} Even as the number of jobs in many metro area sectors (both high- and low-wage) grew in recent years, many of the sectors in the middle demonstrated slower or no growth. These include manufacturing, warehousing/wholesale trade, and transportation industries that have traditionally provided higher wages with more benefits than those in the low-wage service sector.

Public policy and expenditure decisions have also influenced the creation of low-wage jobs in our region. For example, cities in Colorado are highly dependent on local sales tax revenue to fund public services (in contrast to a state-wide sales tax structure, or relying
upon property taxes for a greater proportion of revenue). This revenue structure motivates cities to encourage retail services to locate within their borders, including using scarce development subsidies and economic development resources to attract or subsidize their establishment. Although these subsidies might influence the precise location of these jobs more than whether they are created in our region at all, the use of limited public funds for low-wage employers results in less available funding to attract or create other types of potentially higher-paying employment.

Public decisions also impact low-wage service sector jobs through the practice of privatizing services previously performed by public employees, such as custodial or security. Privatized service sector jobs typically pay less than the public-sector jobs they replace\(^\text{13}\), particularly when factoring in benefits such as health care and retirement packages.

The growth in low-wage jobs combined with the loss of middle-income positions translates directly into fewer middle-class families. According to the Brookings Institute, the proportion of middle-class families in the Denver metro area fell by 10.2% from 1970 to 2005.\(^\text{14}\)

As of 2007, the most recent year for which reliable regional data is available, there were 1.2 million workers in the Denver metro area. The median wage was $17.35/hour. Over 365,000 of these workers, or more than one in four, were employed in a low-wage occupation with median wages below 75 percent of the area median wage, or $13.01 per hour.\(^\text{15}\)

The region’s largest employment drivers are occupations with more than 15,000 workers, and the Department of Labor has projected that sixteen of these occupational

*Middle class families are defined as those making between 80 and 150% of their metro area’s median income.
categories will grow between 2007 and 2016.\textsuperscript{16} Four out of the five largest occupational categories projected for growth pay median wages lower than 75 percent of the area’s median wage: retail, cashiers, food preparation, and wait staff. Together, the largest occupational categories are projected to add 89,000 new jobs by 2016. More than a third of this growth, or 32,000 new jobs, will be in low-wage occupations likely to pay less than 75 percent of the area median wage.

**Chart 2**

![Chart 2](image)

Source: Colorado Department of Labor and Employment "Annual Wage or Salary Occupational Employment Statistics Survey 2007 in Denver - Aurora MSA" & "Occupational Employment Projections in Denver - Aurora MSA for Total, 2006-2016". Graph compares expected industry growth (2006-2016) relative to the Denver-Aurora MSA median ($17.35). Data shown at 6-digit SOC level of detail. Note: 23,221 jobs were excluded from the analysis because of incomplete data.
### Chart 3: Occupations Projected to Grow Between 2007 & 2016 (In relationship to area median wage and for occupations with more than 15,000 workers)

<table>
<thead>
<tr>
<th>Occupation</th>
<th>Compared to 2007 Median Wage ($17.35)</th>
<th># of Workers</th>
<th>Change</th>
<th>Median Wage</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>2007</td>
<td>2016</td>
<td>%</td>
</tr>
<tr>
<td>Retail Salespersons</td>
<td>Below</td>
<td>41,230</td>
<td>52,037</td>
<td>26.2%</td>
</tr>
<tr>
<td>Cashiers</td>
<td>Below</td>
<td>25,180</td>
<td>26,073</td>
<td>3.5%</td>
</tr>
<tr>
<td>Combined Food Preparation &amp; Serving Workers, Incl Fast Food</td>
<td>Below</td>
<td>23,570</td>
<td>30,123</td>
<td>27.8%</td>
</tr>
<tr>
<td>Office Clerks, General</td>
<td>Below</td>
<td>23,030</td>
<td>28,362</td>
<td>23.2%</td>
</tr>
<tr>
<td>Waiters and Waitresses</td>
<td>Below</td>
<td>22,990</td>
<td>27,447</td>
<td>19.4%</td>
</tr>
<tr>
<td>General &amp; Operations Managers</td>
<td>Above</td>
<td>21,500</td>
<td>24,474</td>
<td>13.8%</td>
</tr>
<tr>
<td>Customer Service Reps</td>
<td>Below</td>
<td>21,380</td>
<td>29,331</td>
<td>37.2%</td>
</tr>
<tr>
<td>Executive Secretaries &amp; Administrative Assistants</td>
<td>Above</td>
<td>20,550</td>
<td>26,474</td>
<td>28.8%</td>
</tr>
<tr>
<td>Sales Representatives, Wholesale and Manufacturing, Except Technical and Scientific Products</td>
<td>Above</td>
<td>20,040</td>
<td>26,239</td>
<td>30.9%</td>
</tr>
<tr>
<td>Janitors &amp; Cleaners, Except Maids and Housekeeping Cleaners</td>
<td>Below</td>
<td>19,800</td>
<td>27,498</td>
<td>38.9%</td>
</tr>
<tr>
<td>Registered Nurses</td>
<td>Above</td>
<td>19,800</td>
<td>26,850</td>
<td>35.6%</td>
</tr>
<tr>
<td>Accountants and Auditors</td>
<td>Above</td>
<td>17,960</td>
<td>25,143</td>
<td>40.0%</td>
</tr>
<tr>
<td>Bookkeeping, Accounting, &amp; Auditing Clerks</td>
<td>Below</td>
<td>17,710</td>
<td>23,647</td>
<td>33.5%</td>
</tr>
<tr>
<td>Secretaries, Except Legal, Medical, and Executive</td>
<td>Below</td>
<td>17,030</td>
<td>19,343</td>
<td>13.6%</td>
</tr>
<tr>
<td>Laborers &amp; Freight, Stock, &amp; Material Movers, Handlers</td>
<td>Below</td>
<td>16,910</td>
<td>18,359</td>
<td>8.6%</td>
</tr>
<tr>
<td>Business Operations Specialists, All Other</td>
<td>Above</td>
<td>16,380</td>
<td>22,602</td>
<td>38.0%</td>
</tr>
<tr>
<td>Total for Occupations with more than 15,000 workers</td>
<td></td>
<td>345,060</td>
<td>434,002</td>
<td>25.8%</td>
</tr>
<tr>
<td>Total Denver MSA</td>
<td>--</td>
<td>1,230,340</td>
<td>1,630,753</td>
<td>32.5%</td>
</tr>
</tbody>
</table>

Earnings in the Low-Wage Economy

If examining overall earnings, the Denver metro region might be considered relatively prosperous. Colorado ranked 10th in the nation in per capita median wages as of 2007, and metro Denver can boast of higher median wages than other areas of the state. However, many workers in the service industry are still earning wages far below the median, wages that are insufficient to support a family in metro Denver.

Data at the state and national level demonstrate that unionization is one countervailing factor that leads to higher wages for workers in low-wage sectors. For a typical low-wage worker in Colorado, unionization raises wages by 16.5%. This translates into additional earnings of approximately $1.32 an hour, or $2,745 per year for full-time, low-wage workers in Colorado who are members of a union or covered by a union contract.

This wage differential does not account for addi-

*Low-wage is defined here as those earning wages in the lowest 10th percentile.

Source: Colorado Department of Labor and Employment; $13.01 = 75% of area median income.
tional benefits unionized workers are also more likely to receive such as health insurance or pensions.

**Growth in Earnings Fail To Keep Pace with Growth in Higher-Wage Sectors**

As the composition of employment sectors changes, metro Denver’s economy is increasingly oriented toward the knowledge and service sectors. The arrival of higher-paying jobs has raised metro Denver’s median income in recent years (or slowed its decline during periods of recession), but the benefits of a higher median income are not enjoyed by all workers proportionately. This is because those in the highest paid sectors of the economy have enjoyed greater income growth than those in the lowest paid sectors.

High-income workers have seen a faster rate of growth in their income and wages, while large segments of the workforce continue to earn low wages with slower or no income growth. The metro region once provided a greater proportion of jobs paying wages that put families’ income closer to the average for the area. In contrast, the region’s current employment provides a much wider range of wages, resulting in a greater number of jobs that fall further away from the average income for the region. According to a national study by the Center on Budget and Policy Priorities, income increases in Colorado between 1987 and 2000 were most pronounced for the top one-fifth wealthiest group who enjoyed a 53 percent income increase. For the middle and poorest one-fifth however, income gains were much more moderate (roughly 30 percent for both groups). Data for the metro area demonstrate a similar trend, with a growing gap between the highest and lowest paid jobs.

Even where low-wage workers experience growth in income over time, this growth does not necessarily result in

<table>
<thead>
<tr>
<th></th>
<th>Average Income 1987-89</th>
<th>Average Income 2004-2006</th>
<th>Income Difference</th>
<th>% Growth in Average Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lowest 1/5</td>
<td>$15,809</td>
<td>$20,341</td>
<td>$4,532</td>
<td>28.7%</td>
</tr>
<tr>
<td>Middle 1/5</td>
<td>$43,449</td>
<td>$55,933</td>
<td>$12,484</td>
<td>28.7%</td>
</tr>
<tr>
<td>Highest 1/5</td>
<td>$92,954</td>
<td>$142,181</td>
<td>$49,227</td>
<td>53.0%</td>
</tr>
</tbody>
</table>


Chart 5b

Wage Gap - Lowest & Highest Wages by Industry
Metro-Denver: 1950-2000
(adjusted to 2005 dollars)

Source: U.S. Census Bureau, Colorado Department of Labor and Employment
greater prosperity for families, because the cost of living is also rising. Historically, housing has been one main driver of cost of living. Recently however, increases in the cost and family contribution for health care, food, and gas have also fueled the rise in the cost of living. Because the income of low-wage workers has grown more slowly than that of high-wage workers, more of their earnings are needed to keep pace with increases in the cost of living, and therefore less income is available to convert into wealth that would allow them to get ahead.

As a security guard in the health care industry for more than seven years, my wages are fair but my benefits are not. Initially we were paying nothing out-of-pocket for health care – the most critical benefit. A new company came in and took over the contract. Now there is a high deductible and co-payment reaching to $3,000 out of pocket. It’s like having no health care at all. It’s designed only to keep you from bankruptcy. And we get absolutely no sick days. How can you work in the health care industry, exposed to germs daily, and get no compensation for time off when we get sick? This country has essentially lost the true middle class. We need new policies to rebuild middle class America through unionization, and as Security Officers, we would like to share in that middle class.

~Steve, security guard
I have worked as a downtown janitor for 19 years. I like the work, even though it’s hard. Our work load has doubled since I started, but wages are not keeping up. It would be more just if wages kept up with the increasing amount of work.
~Patty, janitor

Retail is hard work. I have student loans and on what I make my husband and I are barely scraping by. I wouldn’t be able to get ahead on what I’m making now. I would prefer to leave retail and get a job in social work, but if I can’t, and if I try to stay where I am, there are not a lot of ways to advance even if I wanted to.
~Marija, lead retail sales associate
How Low is Low-Income? It Depends on Who You Ask ...

Source: Internal Revenue Service; Colorado Department of Labor and Employment; Department of Housing and Urban Development; U.S. Department of Labor; U.S. Census Bureau; Colorado Fiscal Policy Institute
Understanding Income, Cost of Living, and Measures of Economic Security

Earnings from work are the critical determinant of a typical household’s income. However, household expenses and the ability of earnings to meet those expenses vary greatly depending on the size and composition of a household and the cost of living in the household’s community. In a number of low- and moderate-income households, an individual might work...
multiple jobs or several members might have jobs, resulting in a household income that is higher than a particular wage might indicate. On the other hand, low-wage jobs are also more likely to be temporary, part-time or intermittent, resulting in lower total earnings. Consequently, looking at wages alone is not enough to determine the well-being of families who earn their income from work in the low-wage sector of the economy.

For example, wages that are adequate to meet the needs of an individual in a community with lower costs for basics like housing would result in a single-person household that is economically secure, i.e. able to make ends meet, but ineligible for public assistance. However, the same wages earned by a single parent with children, or in a community with higher housing costs, might result in a family household in economic crisis. As an example, a single parent with two children who earns nearly $40,000 a year might qualify for several public assistance programs because their income is too low to meet the family’s basic expenses for food, shelter, child care, clothing, and taxes.

Therefore, to better understand the human conditions of those employed in low-wage jobs, we must look beyond wages alone to total household income, and compare that income to a benchmark based on the cost of living to determine how well a family is doing.26

A number of federally funded programs are focused on providing assistance and services to the residents of households unable to meet their basic needs. The Federal Poverty Level is one measurement used to distinguish between families who are eligible for assistance and those who are not. In addition, other state and local programs have their own eligibility criteria. Chart 7 displays income thresholds for some of these assistance programs, as well as the types of aid provided. To add perspective, it also shows selected occupations by their 2007 average annual wage.27

To the left are illustrations of several wage and poverty measurements applicable
to the Denver metro region, each of which is discussed in greater detail below. The first represents the standard for a single individual, and the second represents standards for a family of four. The comparison between measures demonstrates that a metro Denver household has to earn about twice as much as the federal definition of poverty to actually make ends meet under a measure known as the Self-Sufficiency Standard.

**Metro Denver Workers Living Below the Federal Poverty Threshold**

As of 2007, there were more than 250,000 workers (out of 1.4 million) who earned less than the federal poverty threshold for a family of four in metro Denver. This number, about 17% of the workforce, does not include those who earned as much as the federal threshold or slightly above.

**Metro Denver Workers Living Below the Self-Sufficiency Standard**

The federal poverty line is not calculated based on actual cost of living in a particular region, and is widely recognized as too low to truly capture all families that are struggling to meet basic needs. A better measure is the Self-Sufficiency Standard, most recently updated in 2008. It is considered a better measure of family living standards because it is based on actual necessary costs, such as housing, transportation, food, and taxes particular to a specific metro area. The Self-Sufficiency Standard can still be considered a conservative measure because it does not allow for any savings and it assumes access to basic health insurance coverage, a benefit many low-wage workers lack, resulting in higher costs of living for those families.

In metro Denver, an estimated 446,933 workers, or nearly one out of three, earn
less than what it takes for an individual to make ends meet based on the Self-Sufficiency Standard for the region. Included in these figures are workers who had incomes around or below the federal poverty levels described above.\textsuperscript{31}

**Chart 8**

**Individuals with Income Around or Below Self-Sufficiency Wage Levels**  
Metro-Denver: 2007

The wages and makeup of the low-wage workforce are further stratified by gender and race. Charts 10a and 10b demonstrate the overall racial makeup of the metro area and the racial makeup of six occupational categories with wages below the overall area median. Individuals of color are over-represented in the workforce of the four lowest paying categories, as compared to their percentage in the overall population. Specifically, Latinos are over-represented in the food preparation and serving and the building cleaning and maintenance occupations. African-Americans are over-represented in healthcare support; building cleaning and maintenance; personal care and service; and office and administrative occupational categories.

Source: U.S. Census Bureau, 2007 American Community Survey
For women, the disproportionate impacts of low-wage work include even lower wages than their male counterparts in the same industries.

Source: U.S. Census Bureau, 2007 American Community Survey
Low-wage work is a factor in regional gender and racial inequality, as evidenced by the disproportionate representation of women and people of color in this sector and the additional wage disparities that they face. Lack of mobility out of low-wage work extends the long-term impacts of these disparities.

Economic mobility within a worker’s lifespan and between generations has been slowed by factors ranging from wage polarization between the highest and lowest paid jobs, the shift from a manufacturing to a service industry economy, globalization and trade policies, domestic wage standards, and the decline of unionization. Rather than a temporary stopping point on the ladder from poverty to prosperity, national research demonstrates a stubborn lack of economic mobility for those in the low-wage sector. Those in higher earnings brackets tend to stay there over generations and their incomes increase over time. However, the converse is also true: those in the bottom income rungs tend to remain there and their incomes are more stagnant.

Low-wage workers do not typically experience economic mobility within the sector. Workers in most low-wage industries tend to stay in low-wage firms and jobs with few earning advances over time. This is particularly true for the service industries, where employment and wage structures are often not conducive to building career ladders. Not surprisingly, the Brookings Institution and other researchers have found significant evidence that low-wage workers are more likely to see earning increases when they move across firms or industries, especially to firms classified as high-wage.

Few workers are making the leap from
low-wage to high-wage sectors. In an extensive 10-year longitudinal study, economists Carrington and Fallick found that workers who start out in a non-minimum wage job have over a 97 percent likelihood of staying in non-minimum wage jobs over a period of ten years.\textsuperscript{36} On the other hand, workers who start out in a minimum wage job only have a 54 percent chance of transitioning into a non-minimum wage job. For these workers, it also takes longer to climb out of those jobs into higher-paying jobs compared to their non-minimum wage counterparts. Women, individuals of color, and those with limited education are all disproportionately represented among perpetual minimum wage earners.

Similar research demonstrates that even when low-wage workers are able to transition into a higher wage job, their new salaries do not take them far above what it takes to make ends meet. Only 39.2 percent of workers who started out around minimum wage actually moved into moderate- or higher-wage jobs.\textsuperscript{37} The same study also indicates that of the individuals who had less than a high school diploma when they entered the workforce, about 80 percent started out at a low-wage job and stayed within the same wage range, or lower, in subsequent years.

There are currently few mechanisms for low-wage workers to move across industries to achieve higher wages and benefits. While some industries such as construction and manufacturing have intermediate career steps and built in structures for worker advancement, most low-wage industries do not and leave many in dead end, poverty-wage jobs for long periods. Even when a few workers are able to advance within the sector or move out of it, the low-wage jobs themselves will persist, merely resulting in a temporary rearrangement of workers across industries and not in fundamental change.\textsuperscript{38}
Chart 11

Wage Advancement for *Above-Minimum* Wage Job Starters

[Bar chart showing wage advancement for above-minimum wage job starters from Year 1-2 to Year 9-10.]

Wage Advancement for *Minimum* Wage Job Starters

[Bar chart showing wage advancement for minimum wage job starters from Year 1-2 to Year 9-10.]

Source: William J Carrington and Bruce C Fallick. May 2001
In the words of Newsweek columnist Robert Samuelson, affluence is a “state of mind” as much as a measure of actual wealth or mobility. The American Dream is encapsulated in the public consciousness as a widely held belief that those who work hard will experience economic mobility and that each generation will be better off than the previous one. Today, while a majority of Americans still believe that it is possible to start out poor and get ahead, over half also say that it is impossible for them to achieve the American Dream. Pessimism about one’s own ability to become economically mobile across generations is growing more prevalent and crosses racial, gender and income lines.

The evidence presented in prior sections gives credence to this pessimism for low-wage workers. Yet, history demonstrates that the service sector’s low wages and limited economic mobility are not inevitable. Historically, we have witnessed the transformation of similar industries to provide greater economic opportunity for workers.

### What American Workers Believe

<table>
<thead>
<tr>
<th>Category</th>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percentage of the population that is born into very poor families who end up achieving very top income levels</td>
<td>6</td>
<td></td>
</tr>
<tr>
<td>Number of generations for Americans to climb out of the bottom economic rungs compared to Canada</td>
<td>5 to 3</td>
<td></td>
</tr>
<tr>
<td>Ratio of Americans who believe that their children’s lives will be better than their own</td>
<td>1 out of 3</td>
<td></td>
</tr>
</tbody>
</table>

Source: The Economic Mobility Project. Quick Facts: What Americans Believe and What We Know
Industries such as mining and manufacturing began by providing mostly poverty-wage jobs, but through public policy changes and unionization that improved wages and working conditions, they were transformed into middle-class industries of the 20th century. The benefits flowed to the entire economy as the purchasing power of the rising middle-class fueled further economic growth.

Public policy has also intervened to put money in the hands of vulnerable workers in ways that not only help them to make ends meet, but also stimulate the economy. Amid America’s most trying economic times, policies were implemented to ease the burdens faced by working families and strengthen the economy. The stimulative effect on the overall economy of supplements, such as unemployment insurance, for low-wage working families has been well documented, and is why Congress included or expanded many of them in the American Recovery and Reinvestment Act of 2009. See the box on the following page for examples.

Intentional efforts can improve the lives of a vulnerable workforce and stimulate greater economic growth, provided we have a shared commitment and take action. Income supplements are one such effort, but ultimately will not transform the fundamental conditions of the low-wage economy. Addressing the roots of the problem will require a more comprehensive approach focused on the wages and conditions of the sector itself.
Examples of Federal Policies that Help Working Families and Stimulate Economic Activity

**Unemployment Insurance (UI)**, formally known as the Federal Unemployment Tax Act of 1954, requires employers to contribute to a fund that provides partial wage replacement following unemployment through no fault of the worker. One of the fundamental purposes of UI is to maintain consumer spending levels that can help to stabilize the economy during times of recession. Over the years, millions of workers have utilized UI benefits as a safety net for food, housing, and other necessary living costs. According to a release by the Economic Policy Institute (citing data from the Congressional Budget Office), approximately 50 percent of workers facing extended unemployment would likely drop into poverty without these benefits.42

**The Child Tax Credit (CTC)**, passed as part of the Taxpayer Relief Act of 1997, provides a non-refundable federal tax credit of up to $1,000 per child to working families with dependent children. Since its inception, the CTC has provided $46 billion to working parents employed in lower paid jobs, such as nurses’ assistants and preschool teachers.43 If it were fully refundable, the CTC could reduce overall poverty up to 9.2% and stimulate an ailing economy by putting spending money back into the hands of families.44 Mark Zandi, chief economist and cofounder of Moody’s Economy.com, estimates that every federal dollar spent toward the CTC yields an economic return of $1.04.45 A 2007 study by the Center for Budget and Policy Priorities found that a strengthened CTC would have a positive effect on more than 180,000 Colorado children (or 15.4 percent of those in poverty).46

**The Earned Income Tax Credit (EITC)** is a federal tax credit for low-income working families. The Colorado Earned Income Tax Credit, instituted as a TABOR rebate in 1999, is calculated as ten percent of the federal EITC. Only available to those who work, the federal and state EITC provide a refundable income tax credit to families earning less than a threshold amount based on family size. Because the state has not had a TABOR surplus in recent years and a permanent credit has not been established, Coloradans have not received the state EITC since 2001. According to the Denver-based Piton Foundation, more than 265,000 working Coloradan families received the federal EITC in tax year 2005. The EITC also stimulates significant downstream economic activity from working families’ expenditures of their EITC refunds.47
CONCLUSION

The realities of the low-wage economy in our region are clear. The rise of low-wage work in the Denver metro economy has been accompanied by a drop in the percentage of our population that could be considered middle class. One third of the new jobs that will be created in the Denver metro region over the next decade will be in the low-wage sector. Income growth for this sector has failed to keep pace with the gains enjoyed by higher-wage sectors. Yet national evidence indicates that most workers will remain in the sector, unable to transition to higher-wage sectors.

Less clear is whether we as a region are prepared to more closely examine these shortcomings and to chart a path that addresses them. It might be tempting to write off these challenges as somehow inevitable and beyond influence. Yet the historic transformation of previously low-wage sectors, like manufacturing, would indicate the fallacy of this assumption. Through this historical lens, the conditions associated with the low-wage economy are not inevitable, but rather present us with choices. We could accept the economic, public, and human costs as the sector continues to grow and wages likely continue to stagnate. Or we can examine proactive solutions and the potential regional benefits of pursuing a more equitable and sustainable course.

This difficult path would necessarily begin with dialogue that must include low-wage workers and their representatives, the public sector, business leaders, as well as community and civic leaders. The dialogue should explore education and training that help workers move out of low-wage work. But we cannot avoid the reality of those who will take their place or remain in the sector, who will confront the same struggle to make ends meet. Therefore the dialogue must consider transformation of low-wage jobs
themselves into middle-class, family-sustaining jobs. The role of the public sector, economic development policy, wage and benefit standards, and unions are just a few of the strategies aimed at transformation that must also be examined. The dialogue should include the policies and practices being pursued by other regions aimed at transforming the sector or key industries within it. Consideration of the public sector’s role should take into account options within the state and local purview, as well as changes that could be sought through collective effort at the federal level.

If we are concerned about the long-term sustainability of our local economy or the validity of the American Dream, then it is time to engage in a serious dialogue about the low-wage sector of our economy.

Kholida Shegrinova works as a hotel housekeeper for $9.20 an hour. She and her husband, both Russian refugees, support two children on their wages. She plans to find higher paying work once she learns better English.

2Economists noting the role of consumer spending in the economy include Vice-President Biden’s Chief Economist Jared Bernstein; Lawrence Mishel of the Economic Policy Institute; 2008 Nobel Prize Economist Paul Krugman; Ron Haskins, Julia B. Isaacs & Isabel V. Sawhill from the Brookings Institute; Michael Ettlinger of the Center for American Progress; Elizabeth McNichol of the Center on Budget and Policy Priorities; and local economist Patty Silverstein.

3The stimulative spending effects of raising wages for low-wage workers has been documented following minimum wage increases. See, for example: Daniel Aaronson, Sumit Agarwal, and Eric French, Federal Reserve Bank of Chicago, The Spending and Debt Response to Minimum Wage Hikes (December 2008).

4A full analysis of these costs in the Denver metro is beyond the scope of this paper, in large part due to a lack of readily available data by work status or occupation from the Colorado Benefits Management System where Colorado tracks many of the benefits available to low-wage working families. However, the public costs of supplementing low wage work have been well documented in other states with similar benefit programs. See, for example: Carol Zabin, Arindrajit Dube and Ken Jacobs, University of California Institute for Labor and Employment, The Hidden Public Costs of Low-Wage Jobs in California (2004); Nik Theodore and Marc Doussard, Center for Urban Economic Development with the Center for Labor Education and Research, The Hidden Public Cost of Low-Wage Work in Illinois (September 2006); Center on Wisconsin Strategy with the UC Berkeley Center for Labor Research and Education, When Work Doesn’t Pay: The Hidden Cost of Low-Wage Jobs in Wisconsin (December 2006).

5See, for example, Heather Boushey, Shawn Fremstad, Rachel Gragg, and Margy Waller, The Mobility Project, Understanding Low-Wage Work in the United States (March 2007).

6Brookings Institute, MetroPolicy: Shaping a New Federal Partnership for a Metropolitan Nation (June 2008).


12Unless otherwise noted, references to data for the Denver metro region rely upon on the geographic boundaries established by the US Census Bureau for the Denver-Aurora Metropolitan Statistical Area which includes the counties of: Denver, Arapahoe, Adams, Jefferson, Douglas, Broomfield, Elbert, Park, Clear Creek, and Gilpin.


14Brookings Institute, MetroPolicy: Shaping a New Federal Partnership for a Metropolitan Nation (June 2008).


16Colorado Department of Labor & Employment, Short-Term Occupational Employment Wage Estimates 2007 and Long-Term Oc-
cupational Employment Forecasts Denver-Aurora MSA 2006-2016 accessed on March 18, 2009. DLE Projections were based on data collected prior to the recession.


18 Center for Economic and Policy Research (CEPR), Union Advantage for Low-Wage Workers (May 2008).

19 The Bell Policy Center, calculation based on data from the Center for Economic and Policy Research (CEPR), Union Advantage for Low-Wage Workers (May 2008).

20 Bureau of Economic Analysis in Colorado (BEA) accessed via CO Department of Labor and Employment, LMI Gateway (March 2009).


22 In order to examine wage trends over time, researchers must rely upon historical data that changes slightly in definition or scope from time to time. Although these variations can limit the reliability of comparisons between two exact wage figures, historical data does provide a reliable indication of the overall trend in wages at the top and bottom of the scale over time. This chart represents the average wage in the highest and lowest paid industries in each year represented, except 1970 when industry data was not available and occupation data is used in its place. Wages for agricultural, personal household, and unclassified workers were excluded. Data from 1950-1980 are from the US Census Bureau decennial censuses. In 1990 the US Census Bureau stopped tracking wage data by industry, so data from 1990 and 2000 are from the Colorado Department of Labor and Employment, Quarterly Census of Employment and Wages. Data from 1950 and 1960 are based on wages in Denver; data from 1970-2000 are based on wages in the Denver Metropolitan Statistical Area, which has been amended several times to include different counties. Although historical data is not available from a constant geographic boundary, the chart provides a fair representation of the overall trend in wages in the metro region because all data sources include Denver, the largest center of employment in the region.

23 US Census Bureau. Historical Earnings & Income of the Civilian Labor Force by Sex & Industry for Colorado and Metro Denver:


26 Colorado Fiscal Policy Institute, Overlooked and Undercounted: Struggling to Make Ends Meet in Colorado (March 2007).

27 In order to compare an occupation’s wage to the eligibility thresholds for these programs, it is assumed in this report that the worker is the sole provider in a household, working only one job full time. Some households may have multiple wage earners and/or one wage earner with more than one job, and in these circumstances, because assistance programs are typically based on household income, the wage level would not be an accurate reflection of the family’s economic standing in relation to the federal guideline.

28 FRESC analysis of the U.S. Census Bureau, 2007 American Community Survey (ACS) for Denver-Aurora MSA. The ACS estimates 1.4 million workers in the region as of 2007, as compared to the Colorado Department of Labor and Employment (CDLE) data cited earlier, which estimated 1.2 million total workers. When making calculations based on total workers and other data drawn from an ACS source, we use the ACS figure of 1.4 million workers; for calculations involving other data from CDLE we use the CDLE figure of 1.2 million workers.

29 U.S. Census Bureau, FRESC analysis of the 2007 American Community Survey for Denver-Aurora MSA.

31 U.S. Census Bureau, FRESC analysis of the 2007 American Community Survey for Denver-Aurora MSA.


35 Center on Wisconsin Strategy. From Bad to Good Jobs? An Analysis of the Prospects for Career Ladders in the Service Industries (February 2007).


38 Center on Wisconsin Strategy. From Bad to Good Jobs? An Analysis of the Prospects for Career Ladders in the Service Industries (February 2007).


40 See, for example, http://www.sharedprosperity.org/overview.html The Agenda for Shared Prosperity (Economic Policy Institute). For further explanation: literature from The Economic Mobility Project (Pew Charitable Trusts), Work and Opportunity (Brookings Institute), Making Work Pay for Families Today Initiative (Ford Foundation), Common Dreams (DEMOS), and Mayors’ Taskforce on Poverty (Center on American Progress).
41 Economic Mobility Project, Quick Facts: What Americans Believe and What We Know downloaded from http://economicmobility.org/assets/pdfs/MediaKit.pdf.


44 The Urban Institute, Who Gets the Child Tax Credit? (October 2005); Center on Budget and Policy Priorities, Child Tax Credit Expansion Passed by Congress Will Help 13 Million Children: Nursing Home Aides, Cooks, Pre-School Teachers, and Construction Workers Will Get a Boost (December 2008).

45 Linda Giannarelli, Laura Wheaton and Joyce Morton, Estimating the Anti-Poverty Effect of Changes in Taxes and Benefits with the TRIM3 Microsimulation Model (The Urban Institute: April 2007).


47 Center on Budget and Policy Priorities, Improving the Refundable Child Tax Credit (October 2007).
