Latinos in low-wage service sector jobs: Problems and potential solutions

Chris Tilly – Department of Urban Planning
UCLA
NALEO National Policy Institute on Workforce Development
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Outline of the talk

• What are the jobs like?
• Latinos in the low-wage service sector
• Policy responses
What are the jobs like?
Focus on 3 types of jobs

• Retail
• Hospitality (especially restaurants)
• Building cleaning
### Pay

*(median hourly wage, production and non-supervisory)*

**Bureau of Labor Statistics, 2018 annual averages**

<table>
<thead>
<tr>
<th>Sector</th>
<th>Median hourly wage</th>
<th>As % of total nonfarm</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retail</td>
<td>$15.91</td>
<td>72%</td>
</tr>
<tr>
<td>Accommodation + food services</td>
<td>$13.37</td>
<td>61%</td>
</tr>
<tr>
<td>Building cleaning + grounds</td>
<td>$15.60</td>
<td>71%</td>
</tr>
<tr>
<td>Total private</td>
<td>$22.06</td>
<td>100%</td>
</tr>
</tbody>
</table>
What are the jobs like?

**Work hours**

Bureau of Labor Statistics, 2018 annual averages

<table>
<thead>
<tr>
<th>Sector</th>
<th>% working &lt; 35 hours</th>
<th>Average weekly hours</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wholesale + retail</td>
<td>28%</td>
<td></td>
</tr>
<tr>
<td>Retail</td>
<td></td>
<td>30.4</td>
</tr>
<tr>
<td>Leisure + hospitality</td>
<td>40%</td>
<td></td>
</tr>
<tr>
<td>Accommodation + food services</td>
<td></td>
<td>25.3</td>
</tr>
<tr>
<td>Building services</td>
<td></td>
<td>31.6</td>
</tr>
<tr>
<td>Total private</td>
<td>23%</td>
<td>33.8</td>
</tr>
</tbody>
</table>

- Not just short hours
  - Part-time as separate status
  - Variable and unpredictable hours
## Jobs with a future? Turnover rates

**Bureau of Labor Statistics, 2018 annual averages**

<table>
<thead>
<tr>
<th>Sector</th>
<th>Turnover rate</th>
<th>Ratio to total nonfarm</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retail</td>
<td>58%</td>
<td>1.3</td>
</tr>
<tr>
<td>Accomodation + food services</td>
<td>72%</td>
<td>1.6</td>
</tr>
<tr>
<td>Total nonfarm</td>
<td>44%</td>
<td>1.0</td>
</tr>
</tbody>
</table>
Managers are low-paid, too!
(median hourly wage)

What are the jobs like?

<table>
<thead>
<tr>
<th>Sector and job</th>
<th>Median hourly wage</th>
<th>Ratio of manager wage to this wage</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Retail</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cashiers</td>
<td>$10.12</td>
<td>3.7</td>
</tr>
<tr>
<td>Stock clerks</td>
<td>$11.22</td>
<td>3.4</td>
</tr>
<tr>
<td>Managers</td>
<td>$37.75</td>
<td>1.0</td>
</tr>
<tr>
<td><strong>Accommodation + food services</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Food prep + serving</td>
<td>$10.35</td>
<td>2.6</td>
</tr>
<tr>
<td>Cleaning and maintenance</td>
<td>$11.10</td>
<td>2.4</td>
</tr>
<tr>
<td>Managers</td>
<td>$26.67</td>
<td>1.0</td>
</tr>
<tr>
<td><strong>Building services</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cleaning and maintenance</td>
<td>$12.37</td>
<td>3.0</td>
</tr>
<tr>
<td>Managers</td>
<td>$36.95</td>
<td>1.0</td>
</tr>
</tbody>
</table>
There are a lot of jobs involved
Bureau of Labor Statistics, 2018 annual averages

<table>
<thead>
<tr>
<th>Sector</th>
<th>Employed</th>
<th>As % of total private</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retail</td>
<td>15,833,100</td>
<td>11%</td>
</tr>
<tr>
<td>Accomodation + food services</td>
<td>13,954,800</td>
<td>9%</td>
</tr>
<tr>
<td>Building cleaning + grounds</td>
<td>2,153,300</td>
<td>1%</td>
</tr>
<tr>
<td>Total private</td>
<td>149,074,000</td>
<td>100%</td>
</tr>
</tbody>
</table>
And they account for a lot of hiring
Bureau of Labor Statistics, 2018 annual figures

<table>
<thead>
<tr>
<th>Sector</th>
<th>Hires (total)</th>
<th>Hires as % of total nonfarm</th>
<th>Openings (monthly average)</th>
<th>Openings as % of total nonfarm</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retail</td>
<td>9,242,000</td>
<td>13%</td>
<td>972,000</td>
<td>13%</td>
</tr>
<tr>
<td>Accomodation + food services</td>
<td>10,694,000</td>
<td>16%</td>
<td>894,000</td>
<td>12%</td>
</tr>
<tr>
<td>Total nonfarm</td>
<td>68,949,000</td>
<td>100%</td>
<td>7,205,000</td>
<td>100%</td>
</tr>
</tbody>
</table>
But what about the retail apocalypse?

- Claims are overstated
- The number of retail jobs and stores is still growing
- That’s why Amazon bought Whole Foods, is rolling out Amazon Go stores (with no cashiers, but lots of food prep workers, stockers, and attendants)

- But:
  - Retail is falling as a % of total employment
  - Retail jobs are changing—for example, more will require tech knowledge

What are the jobs like?
Latinos in low-wage service jobs

4 snapshots
### Latinos in service jobs

**Snapshot 1: By *broad industry*, gender, age**

**Bureau of Labor Statistics, 2018 annual averages**

<table>
<thead>
<tr>
<th>Demographic group</th>
<th>Wholesale + retail as % of Latino employment</th>
<th>Wholesale + retail as % of non-Latino employment</th>
<th>Leisure + hospitality as % of Latino employment</th>
<th>Leisure + hospitality as % of non-Latino employment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Men</td>
<td>13%</td>
<td>14%</td>
<td>11%</td>
<td>8%</td>
</tr>
<tr>
<td>Men 16-24</td>
<td>22%</td>
<td>22%</td>
<td>22%</td>
<td>23%</td>
</tr>
<tr>
<td>Women</td>
<td>14%</td>
<td>12%</td>
<td>14%</td>
<td>9%</td>
</tr>
<tr>
<td>Women 16-24</td>
<td>23%</td>
<td>20%</td>
<td>28%</td>
<td>28%</td>
</tr>
</tbody>
</table>

*Image descriptions:*
- Snapshots of workers in service jobs.
Snapshot 2: By detailed industry

Bureau of Labor Statistics, 2018 annual averages

Employment in selected service sectors as % of total non-Latino and Latino employment

- **Retail**
- **Accommodation + food service**
- **Food service alone**
- **Building services**

- Sector as % of non-Latinos employed
- Sector as % of Latinos employed
**Snapshot 3: By broad occupation and ethnicity**

Bureau of Labor Statistics, 2018 annual averages

<table>
<thead>
<tr>
<th>Occupation</th>
<th>Non-Latino</th>
<th>Latino</th>
<th>Mexican</th>
<th>Puerto Rican</th>
<th>Cuban</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales and related as % of total employed</td>
<td>10%</td>
<td>10%</td>
<td>9%</td>
<td>12%</td>
<td>12%</td>
</tr>
<tr>
<td>Food prep + serving as % of total employed</td>
<td>5%</td>
<td>8%</td>
<td>8%</td>
<td>6%</td>
<td>4%</td>
</tr>
<tr>
<td>Building + grounds as % of total employed</td>
<td>3%</td>
<td>8%</td>
<td>9%</td>
<td>5%</td>
<td>7%</td>
</tr>
</tbody>
</table>
Snapshot 4: By detailed occupation

Employment in selected service jobs as % of total non-Latino and Latino employment

- **SALES + RELATED**
  - Supervisors
  - Cashiers
  - Retail salespersons
  - Stock clerks and order fillers

- **FOOD PREP + SERVING**
  - Chefs + supervisors
  - Waitstaff + hosts
  - Cooks + food prep
  - Combined food prep + serving...

- **BUILDING + GROUNDS**
  - Supervisors
  - Janitors
  - Maids + housekeeping
  - Grounds maintenance

- Occupation as % of non-Latinos employed
- Occupation as % of Latinos employed
Policy responses
Elements of the workforce development system

- Policies affecting labor supply (workers, skills)
- Policies affecting labor demand (what employers want)
- Rules of the road
- Supports for disadvantaged workers
- Note: most of these points will be general rather than sector-focused
Labor supply: building skills

- Education (K-12, vocational, higher ed)
- Training (preparatory, incumbent worker, second chance)
It’s not just about education per se

Premium in median weekly wages for having a certification or license

- Premium for a certification or license - women: 36%
- Premium for a certification or license - men: 43%

- All workers
- Latina/o workers

- Certification or licensing also helps—especially for Latino men
A certification or license does help some more than others

Premium for a certification or license, by education + sector

- All 25 years and older
- High school dropout
- High school only
- Associate degree
- All 16 and older
- Food prep + serving
- Building + grounds
- Sales + related

- But some programs are better than others
- And getting credentials may help some get out of a sector
Incentivizing company training for non-managers: Training tax

- Small tax on payroll, goes into public fund that can be accessed for frontline worker training programs
- In place in half a dozen states
- Example: CA charges 1/100 of 1% on first $7000 paid to each employee, each calendar year—has generated more than $1 billion in training expenditures
- Widely used by unionized companies
Policy responses – Labor supply

Sector-based strategies typically most effective for disadvantaged workers

What is the National Network of Sector Partners?

The National Network of Sector Partners (NNSP) is the national association for sector partnerships and their supporters. NNSP advocates for sector partnerships and works with them to:

- Increase economic security, focusing on low-income individuals, their families, and their communities;
- Meet the workforce-related needs of industry sectors that are important to regional labor markets;
- Strengthen employment equity; and
- Improve regional economic vitality.

Created as an initiative of the Insight Center in 1999, NNSP has hundreds of members nationwide and a broader network of over 3,500 sector partnership leaders, policy makers, researchers, business and labor leaders, funders, and other supporters. NNSP works with our national advisory committee, members, and broader network and draws upon their experience to set and achieve our priorities.
Shaping labor demand: Burst of state and local initiatives—above all minimum wage

- “Fight for $15”
- Evidence is that recent minimum wage increases have had little or no “disemployment” effect
  - But even if they do, there are good reasons to set a minimum standard—including incentivizing training
- Also: requiring paid sick days
Mandating schedule predictability and transparency

- Requiring advance notice of schedules (usually 2 weeks)
- “Reporting pay”—requiring a minimum payment if you come in but are sent home
Part-time parity

- Requiring same hourly pay, prorated benefits for part-timers who do the same job as full-timers
- Discourages using part-time as a way to cheapen labor
- This is the standard in the European union!
- Has been proposed at the state level (MA) but not yet enacted
Bar misclassification of employees as “independent contractors”

- Again, can be a way to cheapen labor
- Examples show a 30-40% difference in costs

Table 1: Average cost scenarios: truck transportation and home care workers

<table>
<thead>
<tr>
<th></th>
<th>Truck transportation</th>
<th>Home health care</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>W&amp;S</td>
<td>IC</td>
</tr>
<tr>
<td>Average earnings</td>
<td>31081.62</td>
<td>44651.79</td>
</tr>
<tr>
<td>Health insurance</td>
<td>3488.30</td>
<td>(5011.28)</td>
</tr>
<tr>
<td>Retirement/ savings</td>
<td>2230.28</td>
<td>(3204.02)</td>
</tr>
<tr>
<td>Social security</td>
<td>1927.06</td>
<td>(2768.41)</td>
</tr>
<tr>
<td>Medicare</td>
<td>450.68</td>
<td>(647.45)</td>
</tr>
<tr>
<td>Fed. unemployment insurance</td>
<td>126</td>
<td>(126)</td>
</tr>
<tr>
<td>Cal. unemployment insurance</td>
<td>413</td>
<td>(413)</td>
</tr>
<tr>
<td>Cal. Employment Training Tax</td>
<td>7</td>
<td>(7)</td>
</tr>
<tr>
<td>Worker’s compensation insurance</td>
<td>3754.66</td>
<td>(5393.94)</td>
</tr>
<tr>
<td>Total taxes and benefits</td>
<td>12396.98</td>
<td>(17571.10)</td>
</tr>
<tr>
<td>Total worker costs</td>
<td>43478.60</td>
<td>(62222.90)</td>
</tr>
<tr>
<td><strong>Total added costs per $ of pay</strong></td>
<td>0.40</td>
<td>(0.39)</td>
</tr>
<tr>
<td><strong>Actual worker costs</strong></td>
<td>43478.60</td>
<td>44651.79</td>
</tr>
</tbody>
</table>

“W&S” indicates wage-and-salary employees; “IC” indicates independent contractors. Parentheses indicate costs that would be experienced by the employer if the IC was classified as a W&S employee at the same rate.

Source: Author analysis of BLS-ECEC, ACS-PUMS, and California EDD, WCIRB, and IRS websites (see appendix).
Technical assistance—especially for smaller & family-owned businesses—can help navigate upgrading.
Policy responses – Rules

Rules of the road: Start with anti-discrimination

- Agencies at state and sometimes local level as well as federal
- Particularly important for promotion to higher level jobs
Create career ladders and help workers navigate them

- Within single large employer, within sector, across sectors
- Easier said than done—requires strong constituencies behind it
Unionization

- Advantages in pay, benefits, job security (and Latinos get a bigger bump)
- Also a channel for workers’ voice/priorities (for example, training)

Union premium in median weekly earnings

- Latina women: 37%
- All women: 25%
- Latino men: 38%
- All men: 18%
Supports for disadvantaged workers

- For example:
  - Universal health care (strengthened ACA, Medicare for All...?)
  - Affordable, quality, child care
  - Affordable housing
Some final words on policy

• Working on supply, demand,
But...won’t all this make shopping, going to the restaurant, and operating buildings more costly?

- Short run: Yes, but...(redistribution)
- Long run: Incentive for productivity
- Fordism vs. Waltonism as organizing principles
Thanks!