

STATE OF WORKING ILLINOIS

POLICY BRIEF



LOW-WAGE EMPLOYMENT IN ILLINOIS

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The State of Working Illinois reports in 2005 and 2007 document how the state's employment patterns have changed over the last two decades. The most significant trend these reports identified was the replacement of good-paying jobs, mainly in the Manufacturing sector, by lower-paying ones, principally in service sectors. This shift has been dramatic. Manufacturing was the largest employer in Illinois in 1990, accounting for slightly more than 20 percent the state's workers. But today the low-

wage service sector is the top employer, accounting for over 30 percent of all workers in Illinois. This transition from high-wage to low-wage jobs is a topic of vital importance to the state's economy and to the lives of working Illinoisans and their families. Consequently, this policy brief provides a detailed examination of the state's low-wage employment, identifying such factors as the occupations, earnings and demographics associated with the low-wage sector.

CATEGORIES AND CONTEXT

Any examination of low-wage jobs has to begin by defining what empirically constitutes low-wage work and then proceed to measure the size of the low-wage sector. To accomplish these objectives, we assigned each of the state's more than 700 occupations to one of six wage categories, varying from high to low, based on the median annual earnings associated with it.¹ Table 1 presents the result of this categorization and shows how it relates to the earnings levels used by the Bureau of Labor Statistics.²

number of occupations and workers employed within each category as of mid-2006, while delineating the range of wages associated with each category.

The median earnings associated with the six wage categories cover a wide range. The dollar differential between the highest and lowest median annual wage categories is \$76,950. This gap is over five times greater than the median earnings for the Very Low Wage category, and is greater than the median annual earnings of every wage category except the Very High Wage group.

Collectively, there are 472 different occupations in the three High Wage categories, accounting for 66 percent of the total number of occupations in the state. But while most of the occupations in Illinois fall into the three High Wage categories, most of the state's workers are employed in low-wage jobs. There are only 243 occupations in the three Low Wage categories (roughly half as many as in the High Wage ones) but these Low Wage occupations employ over 3 million workers, which is 52.1 percent of the total employment in Illinois. In contrast, the three categories of High Wage occupations employ only 47.8 percent of the state's workers. Moreover, the two bottom wage categories include only 61 occupations, 8.5 percent of the total number of occupations but employ 20.4 percent (1.18 million) of the state's workers.

Both the number of occupations and persons employed within each of the wage categories varies greatly. Table 2 identifies the

Of course, the reason people work is to earn a living. So, before examining the three Low Wage categories—i.e., the low-wage workforce – in detail, it is useful to place all the wage categories in a meaningful contest—what it takes to provide for a family. Table 3 provides that context by identifying various wage standards, ranging from the poverty level at the low end to a living wage level at the high end. This allows a comparison of the wages associated with the three low-wage categories to objective earnings standards related to the cost of supporting a family.

1 This replicates the categorization used in an earlier report; see Matt Eskew and Paul Kleppner, "The Future of High-Wage Jobs in Illinois" (State of Working Illinois Policy Brief, August 2006).

2 The data are from U.S. Bureau of Labor Statistics, Occupational Employment and Wage Estimates, May 2006. BLS reports actual annual earnings for some occupations, but for others it estimates annual earnings by multiplying the median hourly wage by 2,080 hours (52 weeks @ 40 hours each). The data in Tables 1 and 2 here differ slightly from comparable tables in our earlier publication which utilized BLS data from September 2005.

Table 1

BLS Earnings Levels	SWIL Definition	Category Median
Less than or equal to lowest 10th percentile	Very Low Wage	\$15,140
Greater than the lowest 10th but less than or equal to 25th percentile	Low Wage	\$18,100
Greater than 25th but less than or equal to 50th percentile	Medium-Low Wage	\$25,080
Greater than 50th but less than or equal to 75th percentile	Medium-High Wage	\$40,480
Greater than 75th but less than or equal to 90th percentile	High Wage	\$57,330
Above 90th percentile	Very High Wage	\$92,090

The State of Working Illinois is a joint project of the Center for Tax and Budget Accountability and Northern Illinois University (Center for Governmental Studies and Office for Social Policy Research) to provide Illinois policy makers with an on-going series of reports containing factual information on issues related to work and economic development in Illinois. For more information see: www.stateofworkingillinois.niu.edu © 2008

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Table 2

Wage Category	Wage Range		Total Occupations	Employment	
	Low	High		Number	Percent
Very Low Wage	-	\$15,290	7	237,950	4.12%
Low Wage	\$15,291	\$20,340	54	942,370	16.33%
Medium-Low Wage	\$20,341	\$31,650	182	1,828,970	31.69%
Medium-High Wage	\$31,651	\$51,400	251	1,364,750	23.64%
High Wage	\$ 51,401	\$76,050	179	1,145,120	19.84%
Very High Wage	\$ 76,051	-	42	253,120	4.39%
Totals	-	-	715	5,772,280	100.00%

Source: BLS, Occupational Employment and Wage Estimates, May 2006

The living wage standard is “an employment-based income that allows [individuals] to meet the basic needs of their families without suffering critical hardship and without dependence on government assistance.”³ Every worker employed in the Very Low Wage category and workers up to just below the median for the Low Wage category failed to meet the living wage stan-

dard for even a single adult. Based on the data, in 2006 at least 697,650 working Illinoisans—12.1 percent of the total—did not earn a living wage. Moreover, when the living wage standard for a single parent with just one child is used – at least \$31,892 – not one worker in any of the three Low-Wage categories earned a living wage.

³ Tracey L. Ferrigan and Amy K. Glasmeier, “Living Wage and Job Gap Study of Beaufort County, South Carolina,” at <http://www.povertyinamerica.psu.edu/products/publications>.

Table 3

	One Adult	One Adult, One Child	Two Adults	Two Adults, One Child	Two Adults, Two Children
Poverty Level	\$10,787	\$14,291	\$13,884	\$16,689	\$21,027
IL Minimum Wage*	\$16,120	\$16,120	\$32,240	\$32,240	\$32,240
Living Wage	\$17,949	\$31,892	\$25,112	\$35,989	\$44,851

Sources: U.S. Dept of Health & Human Services; Pennsylvania State University, Living Wage Calculator; IL Dept of Labor

*Assumes \$7.75/hour and two, full-time working adults where appropriate

OCCUPATIONS AND INDUSTRIES

In which occupations do low-wage employees typically work? Table 4 lists the five occupations employing the largest number of persons within each of the three low-wage categories⁴. Together, these fifteen occupations account for slightly more than 1.2 million workers, or 21.7 percent of the total employment in Illinois and nearly half (41.7 percent) of the state’s low-wage workers.

Low-paying occupations occur even within industrial sectors usually thought of as high-paying ones. Construction, for example, which is a very high paying sector overall, also has jobs in bookkeeping and food preparation, which are low paying activities. So, the best way to measure a sector’s earnings status is to examine how much of its workforce is distributed in high versus low wage categories. Table 5 provides that information.

Better than three quarters (77.9 percent) of workers in the Leisure & Hospitality sector have low-wage jobs, and nearly half of them (45.6 percent) fall into one of the two lowest wage categories.

⁴ For a full listing of the 243 low-wage occupations, with the median wage and number employed in each, see www.stateofworkingillinois.niu.edu

Retail Trade and Other Services are also sectors in which more than six of every ten workers are in low-wage jobs, 68.5 percent and 64.5 percent, respectively. Even in higher-paying industries, like Construction and Information Services, over a third of the employees hold low-paying jobs.

Since over half of all employed workers in Illinois have low-wage jobs, it is not surprising that low-wage workers collectively accounted for nearly a quarter of the state’s gross domestic product (GDP) in 2006, the most recent year for which complete data are currently available. Table 6 provides a view of the monetary and proportionate contribution of low-wage workers to the estimated GDP for each industrial sector.⁵

While low-wage workers constitute 52.1 percent of all em-

⁵ The total contribution attributed to each sector is available at: <http://www.bea.gov/regional/gsp/action.cfm>. To determine how much of each sector’s total to assign to low-wage work, we used the CPS 2007 ORG file to calculate the aggregate income for each sector and its three low-wage categories and then determined what percentage of the sector’s total income that constituted. We then applied that percentage to the GDP figure provided by the Bureau of Economic Analysis for that sector.

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Table 4

Wage Category	Occupation	Employment	Annual Median Wage
Very Low Wage	Combined food preparation and serving workers, including fast food	79,580	\$15,200
	Waiters and waitresses	79,320	\$14,600
	Cooks, fast food	29,390	\$14,930
	Dishwashers	23,260	\$15,140
	Dining room and cafeteria attendants and bartender helpers	19,420	\$15,240
Low Wage	Retail salespersons	180,170	\$19,790
	Cashiers	140,770	\$16,820
	Stock clerks and order fillers	77,020	\$19,900
	Packers and packagers, hand	49,100	\$18,100
	Food preparation workers	47,150	\$16,600
Medium-Low Wage	Laborers and freight, stock, and material movers, hand	140,240	\$21,510
	Office clerks, general	113,710	\$23,780
	Janitors and cleaners, except maids and housekeeping cleaners	102,210	\$21,140
	Customer service representatives	94,660	\$30,930
	Bookkeeping, accounting, and auditing clerks	79,770	\$30,800

Source: BLS Occupational and Wage Estimates, May 2006

Table 5

Percentage of Each Industry's Workers in Low Versus High Paying Jobs

Industry	Wage Categories			Total of		
	Very Low	Low	Medium Low	Three LW	Two Lowest	Two Highest
Construction	1.4	10.1	29.9	41.4	11.5	32.8
Ed & Health Services	3.6	14.9	29.6	48.7	18.5	26.4
Financial Activities	1.8	14.4	26.2	42.4	16.2	32.0
Information	2.6	9.2	21.3	33.1	11.8	36.5
Leisure & Hospitality	15.8	29.8	32.3	77.9	45.6	10.5
Manufacturing	1.0	16.0	35.4	52.4	17.0	22.3
Other Services	6.0	14.6	43.9	64.5	20.6	14.2
Prof & Bus Services	3.3	19.5	29.5	52.3	22.8	26.3
Retail trade	9.5	24.7	34.3	68.5	34.2	13.3
Trans & Utilities	2.4	7.6	37.6	47.6	10.0	26.4
Wholesale trade	1.6	16.9	34.5	53.0	18.5	22.3

Sources: BLS Occupational Employment and Wage Estimates, May 2006; CPS 2007 ORG File

ployed workers in Illinois, they collectively accounted for only 23.2 percent of the state's GDP. That is far from a proportionate contribution, but nevertheless a large monetary contribution to and a sizeable share of the state's annual GDP. Low-wage workers contribute the largest share of the sector's GDP in Leisure & Hospitality (52.8 percent) and the lowest in the Information sector (10.5 percent). They also account for over a third of the GDP in Retail Trade (39.3 percent) and Other Services (38.7 percent), while falling just below a third in Professional & Business Services (32.4 percent).

DEMOGRAPHICS OF LOW-WAGE WORK

Who are the state's low-wage workers? Low-wage workers are primarily individuals who are young, women, minorities, the under educated, and those who are not members of labor unions.

As Table 7 shows, the youngest age cohort (16 to 25) is mainly employed in jobs that fall into the low-wage categories. Overall, 83.4 percent of employed workers in this age cohort are in the bottom three wage categories, and 61.7 percent are in the two lowest categories. A distribution skewed so heavily toward low-income jobs might be expected for the youngest cohort since its members are at the very beginnings of their employment careers. But it is also worth noting that at least 40 percent of each of the older-age cohorts, covering workers with more experience and responsibilities, also fall into the three low-wage categories.

The employment patterns for women are also skewed toward low-income jobs: 61.2 percent of employed females are in the three low wage categories, but only 35.2 percent earn incomes that confine them to the two lowest groups (See Table 8). In

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	Low-Wage Workers	Contribution to State GDP	
	% Total Employees	Millions of dollars	% GDP Industry
Construction	41.4	5,409.1	19.3
Ed & Health Services	48.1	9,746.7	21.9
Financial Activities	42.4	18,734.5	14.1
Information	33.1	2,215.3	10.5
Leisure & Hospitality	77.9	9,971.2	52.8
Manufacturing	52.4	18,129.2	23.3
Other Services	64.5	5,364.3	38.7
Prof & Bus Services	52.3	16,767.4	32.4
Retail trade	68.5	13,319.3	39.3
Trans & Utilities	47.8	7,898.6	23.3
Wholesale trade	53.0	8,143.9	19.3
Total	52.1	115,699.4	23.2

Sources: Bureau of Economic Analysis; CPS 2007 ORG File

contrast, 57.7 percent of male workers (but only 38.7 percent of women) have jobs whose earnings put them into one of the three high-wage categories.

As Figure 1 illustrates, compared to their proportionate shares of total employment, both younger workers and women are greatly over represented in low-wage jobs. The 16-to-25 cohort constitutes only 19.0 percent of the state's total employment but 31.0 percent of all low-wage workers and 42.9 percent of those in the two lowest-earning categories. Young workers are correspondingly under represented in high-wage jobs, constituting only 6.4 percent of those in the three highest-paying categories. While women make up 45.8 percent of all workers in Illinois, they are 57.1 percent of all low-wage workers and 61.7 percent of those in the two lowest-paying categories. Put another way, women are almost 25 percent more likely to have a low paying job, and

almost 35 percent more likely to have a job in one of the two lowest paying wage categories, than should be expected based on the proportion of all employed workers in the state that are women. On the other hand, women are 16 percent less likely than should be expected to hold jobs in the three top paying categories.

Minority workers are also mainly employed in low-wage jobs (see Figure 2). Three-fifths of the state's African American workers (60.1 percent) and 72.5 percent of Hispanic workers are employed in the three low-wage categories. In other words, over 6 out of 10 African American workers and more than 7 out of 10 Hispanic workers earn less than a living wage for a single parent with only one child. Moreover, 37.9 percent of Hispanic and 32.4 percent of African American workers are in employed the two-lowest wage categories. In contrast, a majority of White workers (54.2 percent)

Age	Wage Categories					
	Very Low	Low	Medium Low	Medium High	High	Very High
16 to 25	47.1	14.6	21.7	12.7	2.7	1.1
26 to 35	12.2	10.1	28.9	27.5	13.7	8
36 to 45	9.3	8.9	24.1	24.9	18.1	14.6
46 to 55	8.8	8.3	23.1	26.9	16.7	15.9
56 to 65	11.7	8.1	20.7	26.9	17.6	14.7

Source: CPS 2007 ORG File

Gender	Wage Categories					
	Very Low	Low	Medium Low	Medium High	High	Very High
Male	11.4	8.7	22.1	25.1	17.1	15.4
Female	23.7	11.5	25.9	22.6	10.1	5.9

Source: CPS 2007 ORG File

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have jobs whose incomes put them into the three high-wage categories.

Since the distributions of African American and Hispanic workers are so skewed toward the low-wage end, it is not surprising that both groups are over represented among low-wage earners. Thus, while African Americans constitute just 12.5 percent of all workers in Illinois, they are over 15 percent of the state's low-wage earners. This means that African Americans are 20 percent more likely to have a low paying job than would be expected based on their proportion of all employed workers. Hispanics, who are 11.2 percent of the workforce, make up over 19 percent of those in the low-wage categories, meaning that they are almost 70 percent more likely to have a low paying job than would be anticipated based on their proportion of all employed workers.⁶

Correspondingly, both of these minority groups are under represented among high-wage earners (see Figure 3). African Americans are only 10.6 percent and Hispanics merely 7.9 percent of those employed in the three high-wage categories. On the other hand, Whites, who are 70.7 percent of the state's workers, are under represented in the low-wage categories (45.7 percent) and over represented among the high-wage earners (81.4 percent).

Workers with low-levels of education are also mainly employed

in low-wage jobs (see Table 9). Among those with less than a high school diploma, 88.8 percent are in the three low-wage categories, while only 11.1 percent are in high-wage jobs. High school graduates fare a little better: 62.9 are percent in low-wage jobs and 37.1 percent have jobs in the high-wage categories. The opposite pattern pertains for college graduates: only 25.8 percent are in low-wage occupations and 74.1 percent hold high-wage jobs.

As the distribution presented in Table 9 suggests, those with low-levels of education are considerably over represented in low-wage jobs, while college graduates are over represented among high-wage workers. While workers without a high school diploma are only 10.9 percent of the state's employed workers, they constitute 17.7 percent of its low-wage workers and only 2.3 percent of those in high-wage jobs. Individuals with college degrees make up 33.8 percent of those employed but 47.7 percent of those in high wage occupations. These concentrations underscore the problem, but they also point to its solution—higher levels of education. Unlike ascriptive characteristics—like gender, race, and ethnicity—individuals can alter their educational status. If the data make anything clear, it is that in the twenty-first century labor market, obtaining a good-paying job pretty much requires having at least a college education (see Figure 4).

Another route out of low-wage employment involves union membership. Over two-thirds of union members (69.7 percent) are in high-wage jobs, but only 44.8 percent of non-union members have jobs in the high-wage categories (see Table 10).

6 African Americans are 15.1 percent of those in the three low-wage categories and 15.3 percent in the two lowest categories. Hispanics are 19.8 percent in the three low-wage categories, and 19.5 percent in the two lowest categories.

Figure 1

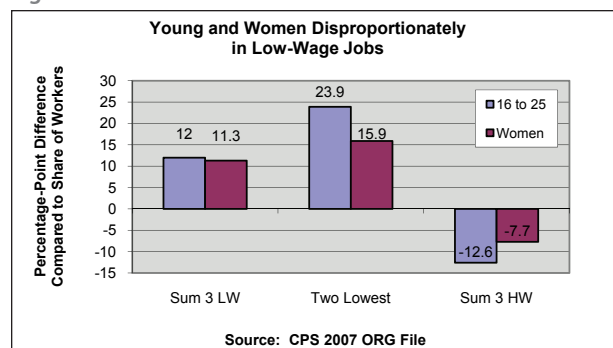


Figure 2

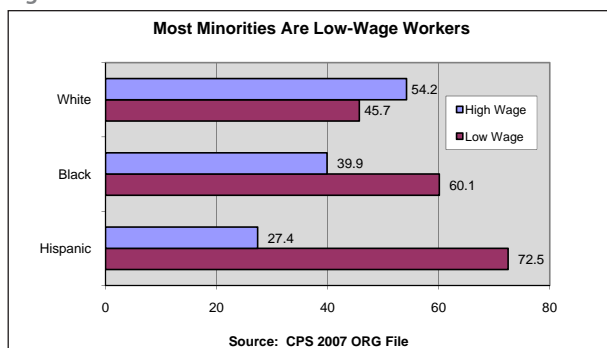


Figure 3

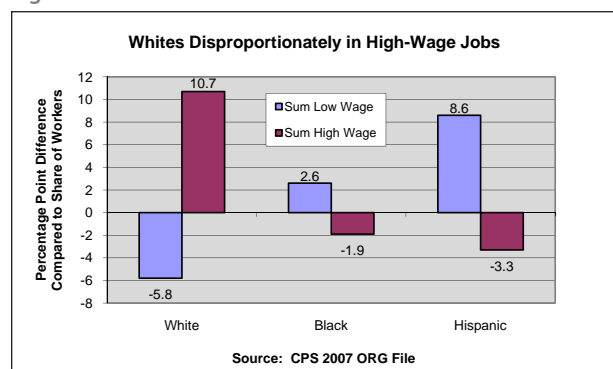
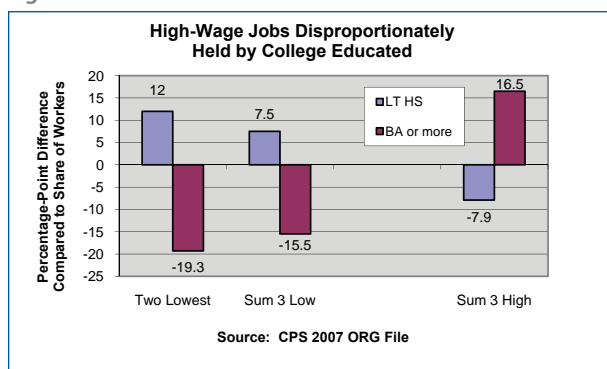


Figure 4



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However, comparatively few workers in Illinois currently are availing themselves of the unionization option (see Figure 5). Union members constitute only 15.1 percent of the state's workers, but they are 21.7 percent of the workers in high-wage jobs. Non-union workers, on the other hand, are under represented in the high-wage categories and over represented among low-wage workers.

Finally, as Table 11 shows, those in low-wage jobs must cope with other dimensions of economic insecurity. They are much less

likely than those who are better paid to have access to either employer-provided health insurance or pensions. Only 35.6 percent of the low-wage workers (but 78.6 percent of high-wage workers) have employer-provided health insurance. And while 37.2 percent of low-wage workers have access to employer-provided pensions, 69.6 percent of their high-wage counterparts do.

Figure 5

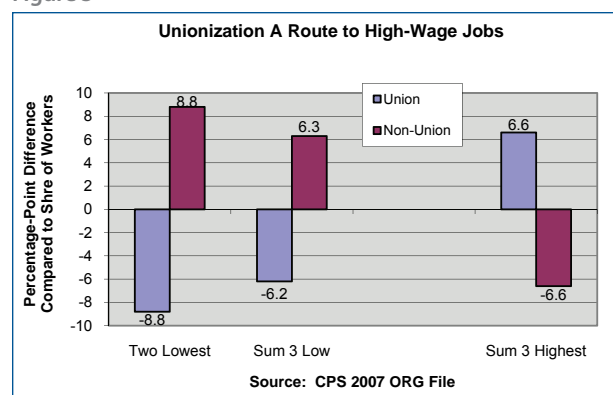


Table 9
Percentage of Education Level within Each Wage Category

Education Level	Wage Categories					
	Very Low	Low	Medium Low	Medium High	High	Very High
LT HS	37.7	21.6	29.4	7.1	3.5	0.4
HS Grad	18.2	12.8	31.8	25.2	8.6	3.1
Some College	21.0	9.5	23.6	26.5	13.6	5.6
BA or more	6.1	4.2	15.3	25.6	22.1	26.4

Source: CPS 2007 ORG File

Table 10
Percentage of Union and Non-Union within Each Wage Category

	Wage Categories					
	Very Low	Low	Medium Low	Medium High	High	Very High
Union	5.9	5.5	18.8	36.0	22.4	11.2
Non-Union	19.3	10.8	24.9	21.7	12.2	10.8

Source: CPS 2007 ORG File

Table 11
Percentage of Workers within Each Wage Category with Benefits

Percent with:	Wage Categories					
	Very Low	Low	Medium Low	Medium High	High	Very High
Health Ins.	19.2	41.0	58.4	71.9	84.6	87.7
Pension	26.3	44.5	50.7	63.3	73.9	80.1

Source: CPS March 2007

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