

## CHAPTER 2

### **LAWRENCE: BACKGROUND, ECONOMY AND LABOR MARKET**

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#### **Lawrence: Setting the Stage**

Founded in 1847, Lawrence, Massachusetts was the first planned industrial city in the nation, created by the Essex Company as a company town to serve the garment manufacturing industry. The city's economy was built on the textile mills that line the Merrimack River passing through Lawrence. These mills have been fueled by waves of immigrant labor, creating an ethnic city which at different points in its history has been dominated by Eastern European Jews, Irish, and Italian immigrants. The most recent wave of immigrants, which began 30 years ago and has accelerated until the present, is Latino, dominated primarily by immigrants from the Dominican Republic and secondarily by Puerto Ricans. These immigrants have continued to come to the city, drawn largely by ethnic and kinship ties, despite the fact that the once-strong textile industry has foundered in the age of global competition. Over the years, the city has hemorrhaged jobs — losing 5,000 jobs, or 20% of its industrial base in the recession of the early-1990s alone — as a result of the decline of manufacturing generally and garment trades specifically.

Though Lawrence was the home of the Bread & Roses strike in 1912, a hallmark in American labor history, the city currently has few strong local unions that represent its workforce. In fact, the lack of unionization, combined with still-plentiful sources of inexpensive, reliable immigrant labor, is one of the key attractions for many of the businesses who have located in the city over the past 40 years.<sup>27</sup>

Lawrence was most recently made famous as an example of corporate responsibility by Aaron Feuerstein, CEO of Malden Mills, one of the City's largest manufacturing employers and a major provider of stable, high-wage factory jobs, who pledged not to lay off any workers after 1995 Christmas-time fire at Malden Mills. While Mr. Feuerstein is not alone in his sense of responsibility to the workers of Lawrence,<sup>28</sup> cooperative relationships between labor and

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<sup>27</sup> Interviews with Chet Sidell, Owner and CEO, KGR Industries, Spring 1998 and Robert Luongo, Director of Economic Development, City of Lawrence, Fall 1998.

<sup>28</sup> As many Lawrence employers are quick to note (Source: 22 business owner interviews by the author, Spring 1998).

management in the city are still relatively unusual, particularly as the city's dependence on temporary labor has grown.

### **Local Demographics: A Picture of Economic Need**

The City of Lawrence is a picture of economic need and is facing some of the most troubling demographic trends in the Commonwealth. Accurate and current population data are scarce, due to the obsolescence the 1990 Census and the fact that the Current Population Survey cannot be parsed to the municipal level. However, 1990 Census and current employment data, when coupled with anecdotal evidence from economic and social services practitioners, tell a fairly convincing story; while the economic conditions of Lawrence have improved with the fortunes of the state, the factors creating poverty, unemployment and other socio-economic challenges are not fundamentally altered. Highlights of these data include:

- In 1990, 27% of Lawrence's population lived in poverty, in comparison to 8.9% poverty statewide.
- In 1990, Lawrence residents had the lowest per-capita and family income in the Commonwealth.
- In 1990, the per-capita median income of Lawrence residents was 56% of the state per capita income, or \$9,686 versus \$17,224.<sup>29</sup> Family and household median incomes were only marginally better, at approximately 60% of state income levels.
- In 1990, the Lawrence population was 41% Latino. State population forecasts estimate that the 1998 Latino population is approximately 70%,<sup>30</sup> though anecdotal evidence suggests that immigration has increased since these estimates were made, so the actual percentage may be even larger.<sup>31</sup> A growing Latino population does not necessarily indicate economic need. However, a number of demographics associated with immigrant and Latino status – lower average earnings, lower educational attainment, lower levels of English fluency and limited access to established hiring networks – suggest that many of these residents may need assistance securing quality work.<sup>32</sup>

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<sup>29</sup> Ibid. 1990 Census.

<sup>30</sup> Massachusetts Population Projections. *Massachusetts Institute for Social and Economic Research (MISER)*. Amherst, MA: University of Massachusetts at Amherst, Fall 1998.

<sup>31</sup> For example, the public school system is now 90% Latino. (Source: *Lawrence Public Education Data, 1996*)

<sup>32</sup> Ibid. 1990 Census.

- Despite historically low unemployment across the state, Lawrence consistently demonstrates unemployment rates two to three times state levels. The result is an unemployment rate that, in the best of times, would be troubling for any municipality. For example, in the third quarter of 1998 Lawrence had an unemployment rate of 9.3% compared to Massachusetts' rate of 3.4%.<sup>33</sup>



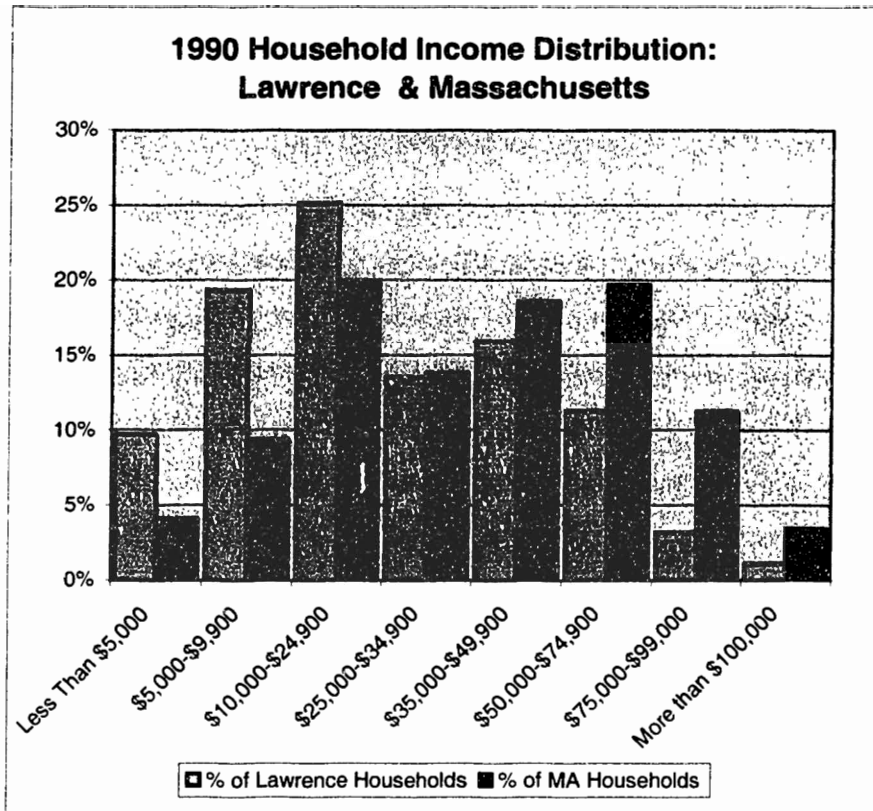
The majority of poverty in Lawrence is working poverty. By “working poverty” I refer to people working full time at below the wage level necessary to support a family.<sup>34</sup> In 1990, over 90% of families in Lawrence were not primarily dependent on public assistance,<sup>35</sup> but the majority had fairly low incomes, between \$5,000 and \$25,000 per year, suggesting the prevalence of low-wage work (median family income for a family of four Massachusetts in 1990 was \$44,336). To give the reader a sense of what this means for family income in 1998 dollars, I have inflated this income distribution by statewide income growth over the past eight years.<sup>36</sup> Using this very rough methodology, we see that approximately 54% of the Lawrence population

<sup>33</sup> Commonwealth of Massachusetts, Division of Employment and Training. *Local Area Unemployment Statistics: Monthly File, 1998*. Boston: Division of Employment and Training, Dec. 1998 <<http://www.detma.gov/lmi98.htm>>.

<sup>34</sup> By working poverty I wish to indicate people who are employed and meet the definition of “very low-income,” according to the definition of the Department of Housing and Urban Development, that is, making less than 50% of state median family income. “Very-low-income” level in Massachusetts in 1998 was \$27,100 per year. (Source: Office of Policy Development & Research. *FY 1998 Median Family Incomes for States, Metropolitan and Nonmetropolitan Portions of States*. Washington, DC: Department of Housing and Urban Development, 1998 <[www.huduser.gov](http://www.huduser.gov)>).

<sup>35</sup> In 1990, average household income for families receiving only public assistance income was \$4,896. (Source: Ibid. 1990 Census)

<sup>36</sup> 22% growth in Massachusetts median family income between 1989 and 1998, or 2.46%/year, based on HUD median family income statistics (Source: Ibid. Office of Policy Development & Research).



is very low-income and an additional 14% is low-income despite the fact that the vast majority depend on wages as their primary source of income.

#### 1998 Lawrence Family Income Estimates<sup>37</sup>

% of Lawrence Households by Income Category	HUD Income Categories	Estimated Annual Household Income
10%		Less than \$5,986
29%		Less than \$12,094
54%		Less than \$30,419
68%	<b>Low Income</b>	Less than \$42,636
84%		Less than \$60,961
95%		Less than \$ 91,502
98%		Less than \$122,043
100%		More than \$122,043

<sup>37</sup> HUD defines income categories in the following way: Very low-income families earn less than 50% of the area median income, and low-income families earn less than 80% of the area median income, which was \$60,000 for a family of four in this part of Massachusetts in 1998.

## The Local Economic Base

In essence, the City of Lawrence remains an island of low-technology industry in a sea of surrounding high-tech employment. Lawrence has, in large part, failed to tap into this state and regional prosperity in two fundamental ways. First, Lawrence's local economy is substantially different from that of the surrounding region, and second, Lawrence residents do not receive the wages paid to residents of other more prosperous regions. Analyzing the local economic base, we see substantial and troubling differences between the city and the larger regional economy. While the Commonwealth and the region are closely tied to the evolving information and high-tech economies, with strengths in engineering, management, and educational services, such employers lack a presence in Lawrence. Low-technology manufacturing, despite job losses in the early 1990s, represents a much stronger presence in the Lawrence economy than in the Commonwealth<sup>38</sup>, making the City extremely vulnerable to the pressures of a competitive global economy for manufactured goods which have been causing continued job losses in the manufacturing sector.

While the service sector is growing in Lawrence, it does not offer nearly the same proportion of skilled, high-paying jobs as in other parts of the Commonwealth. Business services in the city provide predominantly low-wage, low-tech jobs such as janitorial and security services while business services in the region tend to be high-tech employers linked to the information economy.<sup>39</sup>

Occupational wage data highlight the concentration of low-wage, low-tech jobs in Lawrence, and the absence of the region's leading industries. Lawrence posts significantly lower wages than the county in many of the highest-wage and largest employment-growth industries in the region. For example, employees in the business services sector in Lawrence, the leading employment growth sector in the Commonwealth, made a mere 51% of the county average wage, and only 56% of the county average wage in Engineering, Accounting, Research, Management, and Related Services, another important growth area in the Commonwealth. Alternatively, Lawrence posts higher wages than the region in a variety of manufacturing and

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<sup>38</sup> Borges-Mendez, Ramon. "The Use of Latino Immigrant Labor in Massachusetts Manufacturing: Evidence from Lowell, Lawrence, and Holyoke." *Latino Poverty and Economic Development in Massachusetts*. Ed. Edwin Melendez. Boston: Mauricio Gaston Institute, 1993: p 104-123.

<sup>39</sup> Ibid. Borges-Mendez and Andors, Jessica et al. *Lawrence: Laying the Groundwork for Economic Revitalization*. Cambridge, MA: Submitted to Mayor Patricia Dowling by Massachusetts Institute of Technology, Jun 1998.

personal service occupations, as well as social services, but average wages in these industries are much lower than those in regionally-strong industries.<sup>40</sup>

The Difference Between City and County Wages, 1997 High Growth Industries			
Industry	Average Wages		
	Essex County	Lawrence	Lawrence Avg. Wage as % of County Avg. Wage
Business Services	\$ 29,838	\$ 15,070	51%
Engineering, Accounting, Research, Management, and Related Services	\$ 63,901	\$ 35,800	56%
Electronic and Other Electrical Equipment and Components	\$ 49,025	\$ 30,960	63%
Measuring, Analyzing and Controlling Instruments	\$ 48,547	\$ 31,252	64%

However, Lawrence residents do not necessarily work in the city, so we cannot assume that low city wages translate into low incomes for city residents. In fact, significant evidence suggests that Lawrence residents do not, primarily, work in the city of Lawrence. In 1990, 60% of Lawrence residents worked in the surrounding region, outside of the city proper. Additionally, the 1990s have seen a proliferation of temporary employment agencies in Lawrence, local employers that supply labor to firms across the region. This evidence, when coupled with information about the low incomes of Lawrentians, seems to support observations that Lawrence residents are, in fact, a low-wage labor force for the region, an understanding shared by many Lawrence residents and professional. Unfortunately, due to disconnects between business and individual data sources, it is impossible to determine with certainty the types of firms that employ Lawrence residents or the positions which they fill.

<sup>40</sup> Author's Calculations based on: Massachusetts Division of Employment and Training. *Covered Employment and Wages for 1997 by Sector and Two-Digit SIC Code, Essex County and Lawrence*. Boston: Division of Employment and Training, Winter 1998 <<http://www.detma.org/lmi/es-202>>.

## **Targeting the Working Poor**

In order to develop constructive strategies to improve the quality of work and the income of Lawrence residents it is crucial to understand the role that this labor force plays in larger regional economies; different causes of Lawrence's working poverty problem suggest radically different interventions. Whether Lawrence workers are employed locally or regionally should dictate which firms employment efforts target. Furthermore, strategies should differ depending on the economic characteristics of the companies employing these workers, insofar as they have distinct needs and growth patterns. For example, employment training would look very different for low-wage, low-skill employers, than it would for firms employing people with a range of skill levels.

Again, lack of current population data impedes an unequivocal answer to this question. Insofar as there may be multiple causes of this problem, I have chosen one population – the working poor – as the primary focus for my research. For purposes of my research, “working poor” is defined as very-low-income people who are working full time, have significant work histories, and are currently employed in low- to semi-skilled jobs. This definition excludes a number of “hard to employ” groups such as people with criminal records or with no work history, who have significant barriers with work and so would require extensive and specifically-targeted support programs, in addition to as skills training.

## **The Lawrence Labor Force**

The employment skills and training needs of Lawrence residents are not the primary focus of this study. While it is crucial to understand these dynamics when planning possible labor market interventions, I do not to focus on these needs because: 1) accurate data on this topic simply does not exist at this point, a situation highlighted by the fact that the principal job training agency in the region itself does not possess these data, and 2) I posit that there is deep and broad enough need for employment skills upgrading that there would be demand for job training programs serving a variety of populations with widely different background.

The data that do exist on this topic, and observations from numerous job-training practitioners, suggest the following:

- The problem in Lawrence is not that people do not want to work, or are not suited to work, as the media sometimes suggest. Rather, the challenge facing residents is securing both remedial skills (particularly English-language skills) and more advanced occupational skills<sup>41</sup>. The 1990 U.S. Census attests to the fact that, despite widespread unemployment, the majority of Lawrence residents at that time possessed a fairly significant work history. Furthermore, many Lawrence employers are quite happy with, and remain located in Lawrence because of, the dependability and quality of the workforce<sup>42</sup>.
- Educational attainment indicators present a picture of a population that is also in significant need of adult basic education services. Specifically, in 1990, 43% of Lawrence residents over age 25 did not possess a high school degree and 47% of Lawrence residents possessed only a high school degree. In this age of increasing returns to education, and a rapidly growing supply of educated workers statewide, these statistics present a very troubling picture of Lawrentians' employment horizons.
- There is a significant need for English-as-a-Second-Language assistance: Job training and placement professionals, as well as local employers attest to the fact that a large percentage of Lawrence's workers, particularly low-wage workers, have very limited English skills, and significant problems with basic literacy.<sup>43</sup> However, it also worth noting that many Lawrence residents and professionals feel that the media overstates the percentage of people in Lawrence who cannot speak English, particularly given the significant portion of the immigrant community which has lived in Lawrence between ten and thirty years.
- There is a need for services to support single parents: 1990 Census data also indicate that Lawrence has a very high prevalence of single mothers with children under the age of 18. In fact, 44% of people with children in Lawrence are single mothers, compared to 19% in the Commonwealth. This fact suggests that childcare is likely to be a very important issue for Lawrence workers, an observation upheld by many job-training and social-services professionals.<sup>44</sup>

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<sup>41</sup> Interviews with Ross Comeau, Senior Employment Planner, and Peter Vanier, Executive Director, Lower Merrimack Valley Regional Employment Board, Winter 1998.

<sup>42</sup> 22 Interviews with Lawrence Employers, conducted by Author, Spring 1998.

<sup>43</sup> In 1990, when 41% of the population was of Hispanic heritage, 35% of the population was linguistically isolated. Estimates put current Latino population at 70%, suggesting a rate of linguistic isolation in the realm of 50-65%. (Source: Ibid. 1990 US Census).

<sup>44</sup> Ibid., 1990 US Census.



- A significant portion of Lawrentians' have limited access to transportation: While difficult to tease out using Census statistics, anecdotally many professionals and residents of Lawrence acknowledge that limited access to transportation is a tremendously issue for many of the working poor in the city. Many must take jobs that they can walk to, and twice as many people carpool to work or take taxis than they do in the rest of the state. A widely acknowledged problem, important in this context, is that the public transit system (which is fairly good for a small city), is not connected with other cities in the region (a situation that is fairly common in cities across the nation), making intercity travel quite difficult and time-consuming. . For example, officials at the Regional Employment Board cite the situation of people working in neighboring Andover, which has a fair amount of employment opportunity and is located only 3.5 miles away from the center of Lawrence. For Lawrence workers, getting to Andover can often represent a 1 ½ hour commute by public transportation, because it requires taking three separate buses. Needless to say, this trip is even more difficult if people work non-traditional hours. Another testament to this problem is that employers often locate in Lawrence to be within walking distance of a large and inexpensive labor force, understanding the competitive advantage this gives them in hiring.<sup>45</sup>

## **Conclusion**

Lawrence has not benefited proportionally from the significant economic growth of the surrounding region. This problem is has spatial elements: local businesses do not offer well-paying job opportunities, and local residents seem to serve primarily as low-wage labor for the surrounding region, failing to access the higher paying jobs created by regional growth industries. However, the problems of low-wage employment is also related to obstacles facing the Lawrence workforce, particularly limited education, and limited English proficiency, though not problems with the desire to work or basic work skills, such as dependability.

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<sup>45</sup> Interview with Bob Luongo, Director of Economic Development, City of Lawrence, Winter 1998.

## **CHAPTER 3**

### **METHODOLOGY**

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As stated previously, any strategy to improve the quality of work for Lawrence residents must be grounded in a firm understanding of employment in the region. To think constructively about finding good jobs for Lawrence residents, it is crucial to understand where living-wage jobs exist, what it takes to be hired, and how people are recruited. The best source of information on this topic is the people responsible for hiring. To this end, I conducted a series of interviews with directors of human resource departments at firms across the region, which were intended to provide an in-depth qualitative understanding of trends in the regional non-college labor market.

Before outlining my findings in the following chapter, I want to discuss in more detail my methodology. Specifically, I outline how this research was conducted, who participated, how they reflect the composition of regional employers, and some of the biases that may be inherent in the design and implementation of the study.

I will state at the outset that the qualitative data derived from this research are an order of magnitude better than the quantitative data. However, I believe that it is important to draw quantitative implications nonetheless. Also the findings, as the reader will see in the following section, are significant for developing a strategy for the working poor in Lawrence, even if my projections overstate the existence of living-wage jobs by an order of two to three times.

#### **Interview Process**

My primary research consisted of interviews with Human Resources Directors at firms in the business services and high-technology manufacturing sectors. In total, I conducted approximately 30 hours of primarily telephone interviews with 22 firms, in addition to interviews with approximately 17 regional economists, trade association executives and members of the job training community. Employer contacts were chosen from Dun & Bradstreet's Massachusetts Business Directory. Together, these firms hold approximately 10,005 jobs in the Northeast region, which comprises 7.3% of all employment in these sectors.

These interviews were designed to help the author understand:

- The products and services sold by the firms;
- The quantity of non-college employees being hired;
- The job responsibilities of non-college workers;
- Entry level wages and benefits;
- Training and experience requirements for these positions;
- Whether or not employers find it difficult to hire for these positions, and if so, why<sup>46</sup>;
- Annual turnover of employees in these positions;
- Training provided by the employer to newly hired employees;
- Recruitment mechanisms;
- Use of temporary help agencies (hereafter temp firms) and the nature of their involvement in hiring and staffing;
- Key trends affecting hiring for these positions over the past few years and into the near future; and
- Whether employers believe that training or education could increase the prospects of applicants for these positions and if so, what training would be required.

For those interested in further detail, a sample questionnaire can be found in Appendix Two.

There are a number of relevant areas that I was unable to address in my interviews. Of particular concern may be my decision not to ask directly whether firms employ Lawrence residents. This decision was made because, in my first few interviews inquiring directly about Lawrence residents seemed to lead respondents to focus their answers on a particular population (seemingly, one which is low-skilled and cannot speak English), which does not accurately represent the job seekers with which I am concerned. In the interest of getting full information on other topics, I chose to broach this subject only indirectly, by inquiring into the demographic and educational characteristics of employees.

Due to time constraints, I also felt it necessary to accept certain assumptions made by the human resources directors I interviewed, which other researchers might reasonably choose to

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<sup>46</sup> Note: The concept of employment shortages is problematic. Neo-classical economists posit that if wages are set so that demand for workers equals their supply, there will not be significant, long-lasting shortages of workers. As a result, I measured “difficulty” in hiring workers by the following proxies: excessive search time, a recent history of having to significantly raise wages to attract qualified workers, and a history of increasing recruitment bonuses.

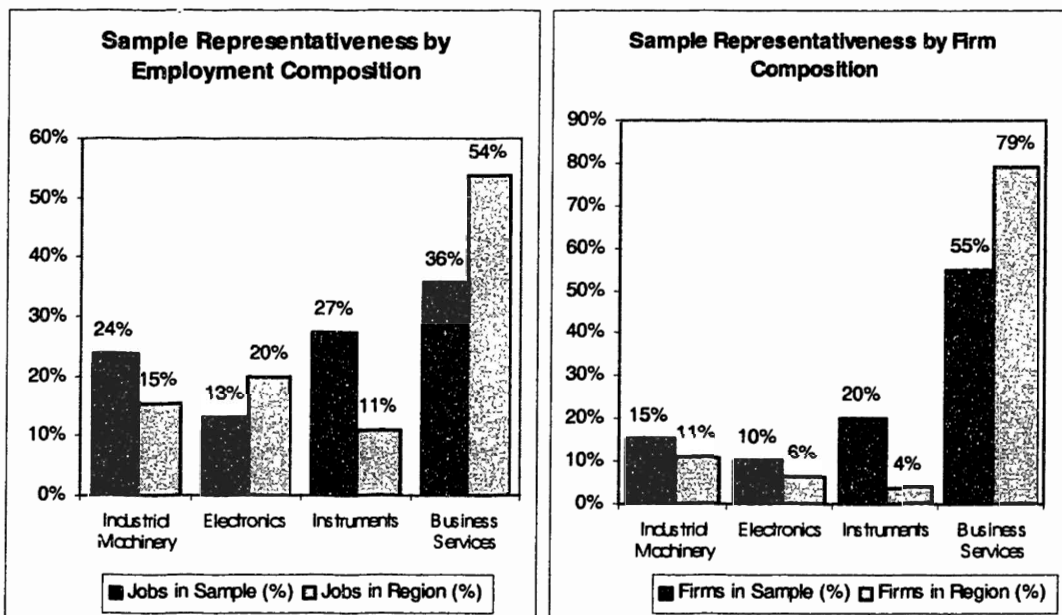
question. For example, I chose to accept the assertion that jobs which require a bachelor's degree cannot be performed by non-college graduates. However, in other situations, another researcher might wish to delve more deeply into the specifics of the job responsibilities before accepting such an assertion.

### How Well Does This Sample Represent Regional Employment?

Because only approximately 30% of employers contacted returned my calls, and only approximately 15% ultimately participated in interviews, self-selection strongly influenced the composition of the sample. Nonetheless, the sample seems fairly representative of both the composition of firms and the composition of employment in high-tech manufacturing (composed of SIC 35: Industrial Machinery; SIC 36: Electronic and Electrical Equipment; and SIC 38: Instruments and Related Products) and business services (SIC 73).

The following charts demonstrate how my sample corresponds to employment in the region. Briefly, they show that the sample will tend to:

- Slightly overstate both the employment and the number of firms in industrial machinery and equipment.
- Slightly overstate the number of firms, but understate the employment in electrical equipment manufacturing.
- Significantly overstate both firms and employment in instruments manufacturing.
- Significantly understate both employment and firms in business services.



## **Research Biases**

In choosing which firms to target, it was necessary to make some crucial choices, all of which would present drawbacks for my final outcomes. These choices, and the possible biases that they are outlined below.

### **Geographic Focus**

Because my primary concern is employment opportunities for people living in Lawrence, I chose as my geographical focus all areas that are “commutable-to” from Lawrence, by which I mean within a 15-mile radius of Lawrence. All of these areas represent a relatively short commute by car from Lawrence, but many would be a near-impossible commute by public transportation. As mentioned in the previous chapter, this may pose a severe obstacle to employment for the unusually high proportion of people in Lawrence who do not own cars.

### **Firm Size**

In order to get information about the highest number of jobs through my interviews, I chose to focus on relatively large employers, that is, firms employing more than 100 people. As it became clear in survey implementation, this creates significant bias in my results. On average, regional firms in these four industries are on average ten times smaller than the firms in my sample (perhaps due to the fact that larger firms have more human resources staff). This bias is robust across all industrial areas, though it is particularly severe in the fields of industrial machinery and business services. Ultimately, I believe the choice is justified by the number of jobs (over 10,000) which I was able to examine with relatively few interviews, but it is important to note the significant impact which this may have on my findings.

There are two ways to view this bias toward large firms. First, many job training programs choose to target large firms, because you can train more people for the same unit of effort in teaching or preparation, and because it is difficult to gear training programs to multiple firms with different production processes. However, there are also a number of hiring and staffing problems specific to small firms that my analysis is likely to overlook.

Industrial Sector	Average Sample Firm Size	Average Regional Firm Size	Sample Firm Size Compared to Region Firm Size
SIC 35: Industrial Machinery	793	42	<b>19x</b>
SIC 36: Electronic & Electrical Equipment	660	96	<b>7x</b>
SIC 38: Instruments & Related Products	683	87	<b>8x</b>
SIC 73: Business Services	325	20	<b>16x</b>
Average	615	61	<b>10x</b>

### **Self Selection Bias**

Another type of bias worth discussion is self-selection bias. Approximately 20% of all firms that I contacted returned my calls, and ultimately, I only interviewed 10% of all firms contacted. The employers who selected to participate, thus, may not represent a random sample. However, it is unclear how this affects the results of my research. Perhaps firms experiencing difficulty locating qualified non-college workers were more likely to participate in the study because they wanted to communicate the difficulties they are experiencing. Alternatively, perhaps those firms experiencing the most severe shortages did not have time to participate.

### **Dependence on Self Reporting**

An additional possible in study design is my reliance on the firms' candor in reporting of wages, positions, work conditions and amount of employment they provide to non-college graduates. Unfortunately, there are few ways to confirm the reports of human resources directors on this front, due to limited, public, firm-level data. All human resources directors were informed of that the study was concerned with living-wage work in the new Massachusetts economy, and so may have been motivated to overrepresent their role as high-quality employers of this population.

### **Effects of the Business Cycle**

As many people – economists, laypeople and employers – were quick to point out, employment conditions are fairly unusual in Massachusetts at the current moment, due to historically low unemployment rates. The result of this tight labor market (though it is, by all measures, less tight for people lacking a college degree) is that workers may be receiving higher

pay and/or better positions for the same skills than they would in a weaker economy. Thus, it is reasonable to expect that the picture of living-wage employment presented through this research is brighter, in terms of wages and job opportunities, than it has been or will be in the future. However, it would be prohibitively time consuming, within the confines of this study, to develop mechanisms for controlling for changes in employment as the business cycle fluctuates.

## **Employment Projections**

A final, serious problem which may result in overstating the number of living-wage jobs in the region relates to my method of creating employment projections. As mentioned earlier, I believe that this is an important exercise, despite being fraught with quantitative danger and inaccuracy. To which end, I believe it is important to point out the assumptions on which my projections are based, which include:

- That all non-college jobs at firms offering a living-wage employment for more than 10% of the workforce, are, in fact, living-wage jobs. This assumption probably creates overstatement in my results, since intuitively one suspects that firms that offer entry-level, living-wage job opportunities may also offer a portion of low-wage, low-skill jobs. However, it was necessary to make this assumption in order to pursue other forms of inquiry.
- Applying sample averages to the regional workforce assumes that the sample is representative of this workforce, despite the types of error already noted. Thus, if living-wage job opportunity is overstated in the sample, it will also be overstated in the region.

## CHAPTER 4

### CRITERIA FOR LIVING-WAGE JOBS AND HIGH-QUALITY WORK

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As mentioned previously, the subject of this research is living-wage jobs to people who lack four-year college degrees. What constitutes a living-wage job? And why is it important to use this standard rather than more common, official poverty measures?

#### **Drawbacks of the Official Poverty Standard for Measuring Quality of Life**

The official poverty threshold was established by the U.S. Bureau of the Census in 1967, and the federal definition of poverty has not changed significantly since (except for annual increases to account for inflation). The poverty threshold represents the cost of a nutritionally acceptable diet multiplied by three – since families are estimated to spend a maximum of one third of their income on food – adjusted for family size.

In recent years, this measure has become the target of much criticism among researchers and public policy makers who note a number of ways in which a poverty level income does not represent the income necessary to support a family. Among the most convincing criticisms are:<sup>47</sup>

- ***The official poverty measure does not account for changing consumption patterns:*** For example, costly technologies now viewed as essential to the lives of modern Americans, such as cars and washing machines, have not been incorporated into the poverty standard.
- ***The federal poverty measure ignores the costs of earning income and related changes in family lifestyle:*** For example, as two-earner families have become increasingly common, the official poverty threshold has not accounted for new types of items and services which families must purchase, such as childcare.
- ***The official poverty measure does not account for regional variation:*** The same poverty standard is applied across the country, in North and South, urban and rural areas, despite widely different wages and costs across regions.

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<sup>47</sup> Various Articles, University of Wisconsin-Madison, Institute for Research on Poverty, *Focus: Revising the Poverty Measure*, Volume 19, Number 2, Spring 1998.



- ***The official poverty measure does not account for family composition:*** While the poverty rate is adjusted for family size, it does not take into account the different costs of supporting infant or teenage children, both of which influence the minimum necessary family income.

In short, to say that a family does not live in poverty does not indicate that they earn enough to support themselves to a decent standard of living in today's America. For example, a single earner making the Massachusetts minimum wage of \$5.25 per hour would earn an annual income of \$10,920 before tax credits, and \$14,107 after tax credits<sup>48</sup> – not nearly enough to support children or guarantee a decent quality of life in a city such as Boston in which the HUD-Defined Fair Market Rent for a family of three is \$10,872.<sup>49</sup>

### **The Living Wage: Toward a Better Standard**

Under the premise that two incomes from full-time work should be sufficient to support a family of four, I focus on identifying living-wage jobs. For purposes of calculating this wage, I base my criteria on those established in the 1998 Self-Sufficiency Standard for Massachusetts, published by Wider Opportunities for Women. Important attributes of this standard include:

- It assumes that all adults work full time, and therefore includes costs associated with work, such as childcare and transportation.
- It differentiates costs for children by age, so that, for example, health care costs are slightly higher for older children, and child-care costs are higher for children too young to attend school.
- It differentiates costs by region, based on indexes of housing and food costs within Massachusetts.
- It includes the impact of taxes and tax credits, such as the Earned Income Tax Credit and the Child Care Tax Credit; and
- It calculates necessary wages based on family size, age and number of earners.

According to these calculations, applied to the cost of living in the Lawrence area, the Self-Sufficiency Standard lays out a range of self-sufficiency wages for Lawrence residents, (see

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<sup>48</sup> Pearce, Diana, et al. *The Self Sufficiency Standard for Massachusetts*. Boston: Wider Opportunities for Women, Sept. 1998.

chart on following page). Given that the “living-wage” rate varies according to family size, in order to derive a single standard, I make the generous assumption that families are composed of two children and two working adults. In this case, each adult would, according to this standard, need to earn \$11.46, plus health benefits, to support a family (not amassing any savings for college or major purchases, etc.). For purposes of this research, this wage should be used as a guideline for judging wage levels, rather than a strict criteria. As a result, I assume that jobs paying in the range of \$10-\$12/hour and above are “living-wage jobs.”

Throughout this thesis I have used the term “high-quality work” as a phrase meant to capture the concept that wages are not the only factor in the quality of employment. High-quality work, while certainly including living-wage standards, is also meant to imply that:

- Workers receive health benefits.
- There is a reasonable employment stability.
- There are reasonable opportunities to increase wages and responsibility either through internal or inter-firm advancement.

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<sup>49</sup> U.S. Department of Housing and Urban Development. *HOME Program Rents: State of Massachusetts, February 1999*, Washington, D.C.: U.S. Department of Housing and Urban Development, Feb. 1999  
<<http://www.hud.gov:80/cpd/home/limits/rent/rnt-ma.pdf>>.

## Self Sufficiency Standard for the Lawrence Area, 1997

Monthly Costs	Adult + preschooler + schoolage + teenager + Adult + preschooler + schoolage + 2 Adults + preschooler + schoolage									
	Adult	Adult + preschooler	Adult + infant + preschooler	Adult + preschooler + schoolage	Adult + schoolage + teenager	Adult + infant + preschooler + schoolage	2 Adults + infant + preschooler	2 Adults + preschooler + schoolage		
Housing	\$ 537	\$ 675	\$ 675	\$ 675	\$ 675	\$ 843	\$ 675	\$ 675		
Child Care	\$ -	\$ 614	\$ 1,353	\$ 944	\$ 330	\$ 1,683	\$ 1,353	\$ 944		
Food	\$ 157	\$ 238	\$ 310	\$ 355	\$ 409	\$ 416	\$ 444	\$ 488		
Transportation	\$ 113	\$ 117	\$ 117	\$ 117	\$ 117	\$ 117	\$ 227	\$ 227		
Health Care	\$ 89	\$ 163	\$ 204	\$ 183	\$ 209	\$ 224	\$ 256	\$ 235		
Miscellaneous	\$ 90	\$ 181	\$ 266	\$ 227	\$ 174	\$ 328	\$ 295	\$ 257		
<b>Taxes</b>	<b>\$ 239</b>	<b>\$ 513</b>	<b>\$ 806</b>	<b>\$ 634</b>	<b>\$ 407</b>	<b>\$ 1,032</b>	<b>\$ 863</b>	<b>\$ 693</b>		
Earned Income Tax Credit (-)	\$ -	\$ -	\$ -	\$ -	\$ (49)	\$ -	\$ -	\$ -		
Child Care Tax Credit (-)	\$ -	\$ (40)	\$ (80)	\$ (80)	\$ (42)	\$ (80)	\$ (80)	\$ (80)		
<b>Monthly Self-Sufficiency Wage</b>	<b>\$ 1,225</b>	<b>\$ 2,461</b>	<b>\$ 3,651</b>	<b>\$ 3,055</b>	<b>\$ 2,230</b>	<b>\$ 4,563</b>	<b>\$ 4,033</b>	<b>\$ 3,439</b>		
<b>Hourly Self-Sufficiency Wage</b>	<b>\$ 6.96</b>	<b>\$ 13.99</b>	<b>\$ 20.74</b>	<b>\$ 17.37</b>	<b>\$ 12.67</b>	<b>\$ 25.93</b>	<b>\$ 11.46</b>	<b>\$ 9.77</b>		

per adult per adult

Source: Pearce, Diana, et. Al. The Self Sufficiency Standard for Massachusetts, September, 1998, Wider Opportunities for Women, Washington, DC.