Industry and Cross-Industry Worker Mobility
Experiences, Trends, and Opportunities for Low-Wage Workers in Health Care, Hospitality, and Child Care
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EXECUTIVE SUMMARY

The nature of work and opportunity has changed. Employment — even full-time — for those with few skills and little education is often insufficient to move families out of poverty. Job growth has shifted from the manufacturing to the service sector, and skills are needed even for low-wage jobs. As state welfare agencies are finding, entry level jobs are available. But with time-limited welfare benefits, the concern is whether employment will lead to self sufficiency in two, or even in five years. With opportunities for advancement becoming more restricted for those who do not have education or training beyond high school, it is time to look at where the opportunities are, and to consider alternative paths toward advancement and increased earnings for those workers with limited education and training.

The purpose of this study is to learn about occupational mobility within and across three industries: health care (with an emphasis on long-term care), hospitality, and child care. The information collected was analyzed to understand how different industry structures and skill requirements might interact to promote a more favorable environment for low-skill workers; to identify opportunities for improved mobility and advancement of low-wage workers in selected service industries; and to recommend policy and research approaches which encourage and enhance these opportunities.

This is an ideal time, with a growing economy and expanded hiring, to consider these issues. Employers in need of workers are more willing to identify new labor pools and invest in training. Industries are also changing and restructuring, offering the potential to introduce new approaches to facilitate job mobility and advancement. The key questions addressed in this study are:

- What are the characteristics of selected jobs/industries that offer the potential for upward mobility?
- What are the alternative routes within and across industries by which workers move up?
- What is the role of employers in upward mobility, particularly with respect to training and investment in training?

The three industries selected for this study are within the service sector of the economy, and jobs in these industries generally require attention to customer satisfaction, a desire to help people, and good interpersonal skills. There is reason to believe that an analysis of job content and training and advancement experiences in each of these industries, and cross-industry comparisons, will reveal parallels and linkages that broaden occupational mobility. For example, new types of long-term care settings, such as assisted living facilities, are bridging the gap between nursing homes and hotels; in fact, major employers in the hospitality industry such as Marriott and Hyatt are expanding in the assisted living market. Some child care providers have also recently been more involved in developing career ladders for their workers and redefining roles of paraprofessionals, and occupational skills required in child care settings overlap with those relevant to health care jobs. Theoretically, workers trained with a core set of skills that can be applied to a number of settings will be at an advantage in the future labor market. The fact that the same employer may operate in more than one of these industries may improve the mobility of an appropriately trained worker.

Data Sources and Methods

Our thesis, that identifying common skills and employers across sectors should suggest promising inter-industry practices linking training and employment opportunities, is plausible. However, very little is actually known about occupational mobility, especially across industries. In this study, we considered cross-industry and upward mobility from both the worker and employer perspectives, using a three-pronged approach: analysis of national survey data, worker focus groups, and interviews with employers and industry associations.
In order to understand the employment composition of the three focus industries and mobility both within and across these industries, we analyzed data from the Census Bureau's 1990 Survey of Income and Program Participation (SIPP), which provides information about a nationally representative sample of individuals and families. The SIPP data provide economic and demographic characteristics of the sample members over a period of 32 months, from 1990 to mid-1993. Our sample included over 14,000 workers, 12 percent of whom were employed in one of the focus industries. The vast majority of focus industry workers were employed in the health care industry: 78.5 percent of the focus industry workers spent at least one month working in the health care industry, 15.5 percent worked in the hospitality industry, and finally, 7.9 percent worked in the child care industry. Our analysis included demographic characteristics, educational attainment, wage level, health insurance coverage, and mobility, comparing workers in the focus industries to all workers in the sample and comparing low-earners to non-low-earners.

To obtain the perceptions of low-wage workers in the hospitality, child care, and health care sectors, we conducted seven focus groups with low-wage workers in three locations — Baltimore, Maryland (three focus groups); Akron, Ohio (two groups); and Chicago, Illinois (two groups). A total of 68 individuals participated in these focus group sessions. One focus group held in Baltimore targeted low-wage workers whose first language was Spanish. To be considered for participation in a focus group, an individual had to be currently working in one of the three targeted industry sectors (i.e., hospitality, health care, or child care) and earning less than $10 per hour. In recruiting workers for each group, we sought a mixture of participants by industry sector and occupation, as well as across the following worker characteristics: age, gender, educational attainment, and race/ethnicity.

To ascertain employer views, we interviewed employers and industry associations in the three industries using a brief open-ended questionnaire. Interviewees included small, independent companies, large, national chains, and national associations. Interviews generally lasted about half an hour though some interviews were conducted in-person and were considerably longer. Employers were asked about skills they looked for in entry level workers, jobs available for entry level workers, and special programs either planned or under way for training entry-level workers, hiring welfare recipients, or providing advancement opportunities. A total of 15 interviews were conducted, with five interviews completed in each of the three industry sectors.

Findings

The three different sources and methods of data collection yielded fairly consistent information. We conclude that:

- There is limited evidence of mobility between the three focus industries.
- Employers are just beginning to think about common skills across industries and cross-industry mobility.
- Workers give little thought to common skills and cross-industry opportunities.
- The three industries differ from each other structurally, which results in differences in their opportunities and prerequisites for advancement.
- Required on-the-job or in-service training does not routinely lead to advancement for workers. Low-wage workers find it difficult to take advantage of other employer benefits that support further outside education and which offer greater potential for advancement.

Cross-Industry Mobility

Across all industries, an average of 3.6 percent of the workforce moved to a new industry each month, as compared to an average of 2.5 percent of workers in the focus industries. Turnover is higher for low-earners, and industry turnover is higher in the hotel and child care industries as compared to the health care industry. According to the SIPP data, less than two percent of the workers employed in the focus industries were employed in more than one focus industry over a period of 32 months. The SIPP data and the focus group responses indicate that the majority of low-earners who moved into a focus industry job received a higher wage. The SIPP data analysis also shows that low-earners moving into a focus industry were more likely to increase their wages than were workers moving out of a focus industry. Workers who remained in a focus industry for at least 24 months were also more likely to receive increases in wages than those remaining in other industries.

In focus groups, workers reported that their choice of industry was related to their preference for the job content or working with the population served (e.g., enjoyed working with children) as well as the availability of jobs at the time they were seeking employment. While workers perceived similarities in "people" skills across a variety of jobs in the focus industries, this was rarely a consideration in seeking new job opportunities or career moves. Though the workers in the focus groups were employed in relatively low paying jobs, this did not mean they were not sensitive to or placed little importance on how much they were paid. In fact, marginal changes in hourly wages were often the primary motivator for taking a similar job with another employer.

Employers are just beginning to think across industries. Factors that contribute to an increase in this thinking and that will likely result in more cross-industry thinking in the near future are: (1) labor shortages which prompt employers to explore/identify new sources of labor, and (2) convergence of the three industries and product lines as a result of corporate consolidations, especially in long-term care and hospitalization.

Industry Structure and Characteristics

The three industries studied are really quite different from each other. The most opportunity for advancement for those with limited formal education exists in the hospitality industry. The highest earnings potential exists in the health care industry, but advanced educational requirements are necessary. Child care is striking for the
low returns to investment in education and the lack of employer-sponsored health insurance. Structural differences in these industries explain a good deal about the varied opportunities for low-wage workers with limited formal education. Key factors that improve mobility and advancement opportunity in an industry include:

- expansion/job growth
- 24-hour operation
- high turnover
- wide variety and many levels of jobs within an organization

Employment is projected to grow in all three of the focus industries. Both hospitality and health care organizations need 24-hour coverage, so supervisory as well as entry-level opportunities exist for three shifts per day. High turnover increases the number of jobs available at any one time, and may improve the advancement opportunities of those who remain with an employer because their experience is a valued commodity. Turnover is highest in hospitality and child care, but child care centers generally offer only three levels of jobs: director (of which there is only one), teacher, and assistant teacher or aide. Health care offers the widest variety of jobs and levels of advancement, but also has the most educational/licensing requirements. Analysis of the SIPP data indicates that low-earners in health care are more likely to move to a job with a higher wage than workers in the hospitality, child care, or all other industries.

Earning potential in any industry is also affected by market factors, which vary for each of the focus industries. For example, government reimbursement rates keep wages low in long-term care. Union representation is expanding in service sector organizations that have not traditionally been unionized, such as nursing homes, and this may affect wages, benefits and advancement opportunities. Child care industry representatives noted that, despite the low earnings of child care workers, owners and operators of child care centers struggle to stay afloat because of high insurance costs, facilities licensing requirements, and the inability of parents to pay higher fees.

**Training**

Most employers in the focus industries do provide or arrange for in-service training. This training includes job-specific orientation and skills determined necessary by the employer as well as training required by licensing or regulatory authorities. The latter includes training in safety and sanitation for food service workers, CPR training for child care and health care workers, infection control procedures for health care workers, and state-required continuing education for child care workers. In most cases, employees were able to complete this training on work time or were paid for the time spent in training. The one exception was some child care centers, which expected workers to attend classes during evenings or weekends and did not pay for course registration, although annual continuing education was a job requirement. While workers do receive a good deal of training, such training is basically "stay in place" training — that is, the training is required to stay in the current job — it does not lead to advancement.

Employers used job shadowing, on-the-job training, and supervision/guidance (e.g., mentoring) to facilitate advancement. Particularly in the hospitality industry, workers can advance with limited formal training outside the workplace. In fact, large employers in this industry preferred to develop their own training programs because there was a "brand identity" to the style of service and attitude instilled in workers. Employers did offer tuition reimbursement, but this was not a viable option for most of the low-wage workers in our focus groups. They faced constraints with respect to time, money, and lack of confidence in academic abilities (many employers required a passing grade in order to claim reimbursement).

**Recommendations**

Workers need advancement opportunities to improve self sufficiency. The fact that workers will change jobs for small increments in pay or improvements in work schedules implies that such advancement opportunities will also reduce job turnover. Employers indicate that they want to reduce turnover and reward good workers, but they feel they already invest in training. Yet, workers do not find that completion of this training is helping them advance. Furthermore, workers do not fully understand how to market their skills or identify those skills that are transferable, and they do not have the time or resources to pursue additional academic credentials. To address this dilemma, we present recommendations for three audiences: employers, researchers, and policymakers.

**Employers**

First, and perhaps foremost, employers need to take a more pro-active stance with respect to educating workers about advancement opportunities within their own firms, the skills needed for upward mobility to jobs, and the options available for building skills. A first step that may be effective in cutting down turnover among lower-paid workers is to better educate these workers about possibilities for advancement within the firm and take active steps to push workers to enhance their skills as part of their day-to-day work. While the need for continuing skill development and career advancement is something that companies often stress with higher paid, managerial workers, it is not always a priority when it comes to lower-paid workers. In contrast to the training signals provided to higher level workers, training provided to lower-paid workers is treated as a routine requirement rather than a positive accomplishment. Employees should get "credit" for successful completion of training even if it is required training, structuring such training as the first step on a path to advancement.

Second, employers need to offer training and education opportunities that are sufficiently flexible, accessible, and meet the short-term time horizons of lower-paid workers. Rather than stressing the possibilities for
career advancement, the workers in our focus groups tended to stress the many barriers they faced to building skills and moving up in their careers. Workers need to see how they can make incremental improvements in their skills and qualifications which will contribute to job advancement and increased pay over a relatively short period of time. The thought of sustaining training over a several year period can be a deterrent to obtaining any training at all. Tuition reimbursement programs — one of the vehicles for workers to obtain enhanced training — need to be made more easily accessible to lower-paid workers. Two changes in these programs would be most helpful: (1) reduce the amount of out-of-pocket costs on the front-end that needs to be borne by low-paid workers, and (2) if possible, allow workers to attend training during work hours or provide flexibility so that workers can arrange to make up lost work hours at a convenient time. In order to reduce the risk to employers, tuition reimbursement plans could include provisions for recoupment of tuition costs if workers leave the job before a specified length of time.

Third, employers should take steps to ensure that workers are aware of job openings and the skills needed to be considered for openings. Our discussions with employers, especially those in the hospitality industry, indicated a much more positive outlook for advancement of low-wage workers than perceived by the workers in these industries. Especially with the proliferation of internal communication systems in companies and the Internet, the technology is now available for timely notification of all workers of job openings within a company, even if job vacancies are at a company facility located on the other side of the country.

Researchers

This study provides new information on job mobility and mobility across industries, but it is just a beginning. The SIPP data covered only a 32-month period, and more longitudinal analysis is needed to gain a better understanding of upward mobility. In terms of cross-industry mobility, the fact that this study found little evidence of such mobility does not necessarily suggest that our thesis should be dismissed. Employers are just beginning to consider cross-industry mobility, and consolidations that bring the health care and hospitality industries closer are a relatively recent phenomenon. Perhaps it is simply too soon for such trends to have appeared in the data. We recommend that researchers continue to follow this trend.

This study found that industry structure and market factors play a substantial role in advancement opportunities within an industry and in the potential for cross-industry mobility. In some cases, the current industry structure limits advancement even when employers provide training and support upward mobility. More research is needed to help employers and policymakers understand how structural and market factors can be modified to improve career opportunities for entry-level workers in these industries. Questions of interest include:

- Can work experience or competency testing replace formal education requirements for some occupations?
- Do occupational regulations/certification requirements impede cross-industry mobility for jobs with similar skills?
- How are training and advancement policies of national chains/organizations affected by differences in state occupational and other regulatory requirements?
- What are the financial barriers to improved mobility in particular occupations/industries?
- What institutional or organizational practices can limit employee turnover?

A third area for additional research is the impact of training. How does training affect worker productivity, turnover, advancement, and earnings? What types of training are most cost-effective? Employers fear investing in training and then losing workers, but if training reduces turnover, the costs of providing additional training to current workers may be worthwhile. Research on the impact of training should not be limited to employer-provided training, but should also consider school-to-work programs at the high school level and short-term training programs provided by community colleges and others.

Policymakers

This study identified a number of areas where communication between workers and employers is lacking, including training needs and goals and articulating skills required for advancement. Policymakers can play a role in facilitating communication through disseminating information, supporting task forces that address training issues, and encouraging ongoing dialogue between workers and employers.

Applying findings from some of the research recommended above, policymakers can begin to address structural and market barriers to career advancement for low-wage workers in these industries. Policy approaches can take a number of directions, including changes in occupational regulation, tax incentives, financing opportunities for employers, direct incentive payments to employers or educational institutions, and regulatory or legislative changes in existing programs, such as Temporary Assistance to Needy Families (TANF, formerly AFDC).

Some industries, most notably child care, face financial barriers to increasing wages or benefits for their employees. Policies that improve operating margins of these employers might enable employers to afford investments in workers, such as higher wages and training. Examples include strategies such as zoning changes, low-interest loans, and changes in property tax assessment rates to improve the economic viability of child care centers.

Direct incentives to employers for training or for establishing career paths for low-wage workers and direct incentives to training institutions include state and federal training programs such as the Job Training and Partnership Act (JTPA) and tax credits such as the Work Opportunity Tax Credit, which allows employers to receive a 35 percent tax credit on the first $6,000 in wages earned by certain targeted groups of people, such as welfare recipients.
Other policy approaches involve establishing program requirements that promote the goals of training and advancement. For example, at least one state has included provisions in child care facility licensing regulations that require child care centers to offer training and establish linkages with local community colleges offering the Child Development Associate (CDA) curriculum. Other changes in program regulations enable Job Opportunities and Basic Skills (JOBS) participants to fulfill their Community Work Experience Program (CWEP) assignment at designated child care centers. Policymakers need to continue to creatively use these and other approaches to address issues identified in the research as factors limiting mobility and advancement for low-wage workers.

Finally, policymakers need to support and encourage evaluation of the various welfare to work activities that are under way in order to identify effective approaches and disseminate lessons learned. We recommend that policy questions focus on the issue of self-sufficiency and movement toward self-sufficiency. This will require longer-term studies that address turnover, retention, and advancement. Several model programs that have developed in response to welfare reform recognize the importance of public-private partnerships, the ultimate goal of self-sufficiency, and the likelihood that participants will need ongoing support to achieve their goals. Policymakers need to assess strategies from the long-term perspective, as achieving self-sufficiency is not a short-term proposition for most low-skill workers.

Other Publications by the Authors

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