

# Embrace Low-End Service Jobs

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Manufacturing's share of employment has been shrinking steadily for a generation or longer in every rich nation. The causes — lower costs abroad and rising productivity — won't subside any time soon. And while robots and 3D printers may enable continued production of manufactured goods in affluent countries, they won't alter the downward trend in manufacturing *employment*. In most of these countries, manufacturing will account for fewer than 10% of jobs within a few decades. Nearly all jobs will be in services.

What kind of services? How can policy help?

## 1. Educate

We want as many people as possible to work in high-end services. Education is the best facilitator. The better we do at developing cognitive skills and productive noncognitive traits in all children, and the more opportunity we provide for learning throughout the life course, the larger the share of adults we'll have in service jobs that pay well and offer substantial autonomy. Since education has additional benefits — faster economic growth, better health, greater political participation, and more — it's perhaps the most important policy for governments to get right.

## 2. Embrace low-end service employment

Even if we do a superb job with schooling, high-end services won't employ everyone. Imagine a high-skill, high-employment economy of the future with 85% of the working-age population in paid work. Suppose 65% complete university and end up in high-end service jobs. That optimistic scenario still leaves 20% in other jobs. Some will work in manufacturing or farming, but what of the rest?

They could work in low-end services. However, some favor minimizing such jobs. One way to do that is to set the wage floor at a very high level, perhaps supplemented by heavy payroll taxes, in order to reduce employer demand for low-end positions. Another possibility is to offer an unconditional basic income grant at a level generous enough to reduce the supply of people willing to work in a low-paying job.

I don't think that's the best way to proceed. As we get richer, most of us are willing to outsource more tasks that we don't have time or expertise or desire to do ourselves — changing the oil in the car, mowing the lawn, cleaning, cooking, caring for children and other family members, advising, educating, organizing, managing, transporting. And improved productivity and lower costs abroad will reduce the price we pay for food, manufactured goods, and some services, leaving us with more disposable income. So we'll want more people teaching preschool children, helping others find their way in the labor market or through a midlife career transition, caring for the elderly, and so on, and we'll be better able to purchase such services. If there is demand for these services and a supply of people willing to perform them, why discourage them? These types of jobs can be especially valuable for the young and immigrants, two groups who tend to struggle in the labor market.

Some low-end service jobs will be in the public sector, but not all. To facilitate low-end service employment in the private sector, we need a modest wage floor, modest payroll taxes, and social programs that encourage and support employment.

### **3. Supplement low wages with an employment-conditional earnings subsidy**

If a low-end service job pays a relatively low wage, that need not mean a person's income also is low. A subsidy such as America's Earned Income Tax Credit (EITC) or the UK's Universal Credit (formerly Working Tax Credit) can boost household incomes while simultaneously encouraging employment.

### **4. Enable mobility out of low-end jobs**

For some, a low-end service job might be a career. Others will want it to be merely a stepping-stone. Government can help ensure that they have the capability to move up, via healthcare, early education, elementary and secondary schooling, lifelong learning opportunities, retraining, job placement assistance, special services for the mentally or physically disabled, language assistance for immigrants, targeted programs for the young and the elderly, assistance with transportation, and help in organizing formal job ladders.

### **5. Separate nonwage benefits from the job**

Eligibility for pensions, unemployment insurance, sickness insurance, parental leave, holidays, and other nonwage benefits ought be contingent on employment, but not on the particular job or employer you have.

### **6. Improve quality of work life**

Low-end service jobs may offer limited mental stimulation or opportunity to participate in decision making, and some are stressful. There is a limit to the amount of stimulation that some of these jobs will ever be able to provide,

but most could do better, and we should try to figure out how and to push firms in that direction. Indeed, we should aim to improve working conditions in all jobs, rather than assuming that higher-skilled, better-paying positions automatically have decent work quality. I like the idea of an auditing procedure whereby government sets outcome standards for work conditions, leaves it up to firms to decide how to meet the standards, and monitors their efforts to do so.

### **7. Limit the degree to which job inequality spills over into social inequality and segregation**

We want a society that is modestly rather than severely unequal. Jobs inevitably come with inequalities of status. If they also have profoundly unequal pay, this can easily spill over into social segregation and inequality of respect. Policy should push against this. Neighborhoods should be designed or redesigned to encourage class mixing. Parks, beaches, libraries, and public transport ought to be attractive to all. And we might do well to consider a mandatory year of national service to ensure that everyone gets an experience of genuine social mixing as they embark on adulthood.

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