

Chutes and Ladders: Navigating the Low-Wage Labor Market

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Summary

Chutes and Ladders is Katherine Newman's follow-up study to *No Shame in My Game: The Working Poor in the Inner City*, a study of low-wage workers and job-seekers at the pseudonymous Burger Barns in Harlem. Eight years after studying this world of low-wage work, Newman was interested in determining how the strong labor markets of the late 1990s affected the lives of people she interviewed for *No Shame in My Game*. *Chutes and Ladders* shows that some workers experienced upward mobility, while others remained stuck in poverty. However, Newman compared this trend to national wage data and concluded that the upward mobility experienced by some was not necessarily dependent on the strong labor markets of the 1990s. Therefore, *Chutes and Ladders* shows that in good and bad economies, a small portion of workers can attain upward mobility.

Facts and Findings

Chutes and Ladders begins by chronicling the lives of four individuals first interviewed in 1993. Their stories indicate that upward mobility is possible for people who begin the working lives in what many people consider "dead end" jobs. For example, Keysha was in her early twenties in 1994 (20). She worked the drive-through window in a Harlem Burger Barn, making \$4.75 per hour (22). By 2002, however, Keysha was working for the New York Housing Authority as a caretaker/janitor for the Malcolm X Housing Project in Harlem (20). Keysha's job paid \$28,000 annually with opportunities for overtime (21). In 2002, Keysha's overtime amounted to an additional \$14,000 (21). For someone who had difficulty getting through high school and started working for \$4.75 per hour, Keysha greatly improved her life.

Among the workers interviewed by Newman, Keysha was not alone in her success. By 1993, the median wage of workers was \$4.25 per hour (72). By 1997, the median wage grew to \$7.49 an hour (72). The middle wage earners in 1993, those people making between \$4.26-\$9.99 an hour, experienced upward mobility. Twenty-seven percent of the middle wage earners were making greater than \$10.00 an hour in 1997 (73). The statistics were also good for those people earning minimum wage in 1993. Sixty-five percent earned wages above the minimum wage in 1997 and 33 percent had added at least \$2.00 per hour in wages between 1993 and 1997 (72).

In the last follow-up in 2002, the numbers were even better. Although the 2002 study only involved 40 people from the original study, those people who were employed in 2002 had average hourly wages of \$15.45 with a median hourly wage of \$14.49 (79). While averages do not tell the whole story, very few workers remained in minimum wage jobs (79). Forty percent of the workers had jobs paying between 200 percent and 300 percent of the minimum wage (80). Roughly 20 percent had jobs paying greater than 300 percent of the minimum wage (80).

With these statistics, Newman was able to group the workers into three groups: the high flyers; the “up but not outs;” and the low riders (84). The high flyers were those who worked in stable working-class or middle-class jobs (84). The “up but not outs” had wages that grew slightly above inflation, but could not provide true economic security (84). The low riders held low-paying jobs or were unemployed (84).

According to Newman, the high flyers were able to improve themselves for three main reasons. First, some were internally promoted in growing firms that provided good wages (85). Second, some were able to increase their human capital through education and specialized training (85). Third, some secured a union job or a nonunion job in an area with high rates of unionization (89-90).

Those individuals in the “up but not out” group have remained middle wage earners for several reasons. Some people have jobs in industries that do not have room for much growth (102). For example, Latoya began working at Burger Barn in 1994 for minimum wage, but has since become store manager. While she worked her way up near the ladder in the industry, her wages only grew to \$25,000 annually (102). For other “up but not outs” the inability to finish education while working has kept their wages down (103).

The low riders have remained at the bottom of the wage scale for several reasons. Some people, like Vanessa, fell on some bad luck.

Vanessa was going to school in 1997 and working in a work-study program (111). After welfare reform, the welfare authorities told her she needed to drop out of school and work full-time to continue receiving benefits (111). Others in the low rider group had more permanent trouble, such as prison terms or drug addictions that kept them at the bottom of the wage scale (112).

Apart from the personal reasons for the growth or lack of growth of an individual's earnings over the eight year period, *Chutes and Ladders* suggests that family life plays an important role in earnings. People with stable family and home lives were far more likely to be members of the high flyers. Rising above poverty often hinges on a person's household design and the division of labor and earning he or she is able to manage with a partner (152).

Newman's study indicates that the working poor have not remained the working poor because of poor attitudes about work. Many of the people interviewed in 2002 placed a high value on work (224). Also, most still believed in the "American Dream" (218). Despite the lack of formal education, many of the people interviewed had, as Newman calls it, "streetwise economics" (176). Basically, they knew how to play the game (176).

While the sample of 40 people Newman found in 2002 is too small to be representative of the 300 people first interviewed in 1993, national economic data from Survey of Income and Program Participation provides some useful conclusions. The SIPP surveys of the food services industry show that during the boom years of the 1990s, roughly ten percent of men experienced wage growth greater than \$1.73 per year (158). Women experienced similar yearly gains of \$1.42 (158). Using a \$1.25-per-year gain in wages as a threshold for high flyers, Newman found that 11 percent of males and 13 percent of females in the food services industry reached the status (159). These percentages are smaller than those in the Harlem study where 22 percent of workers experienced increased yearly wages of \$1.25 (159). Using the same threshold for all races and nonmanagerial jobs throughout the country the proportions were 19 percent for males and 16 percent for females (162).

Wage growth, however, was not necessarily dependent on strong labor markets. The SIPP surveys also show that a similar, small portion of workers experience upward mobility in both strong and weak labor markets. Using the \$1.25-per-hour threshold, the periods from October 1985 to April 1995 and December 1995 to February 2000 yield similar results (163). In the first sample, roughly 18 percent of men reached high flyer status (163). In the second sample, 19 percent reached high flyer status (163). The percentage of women grew from 14 to 16 percent

between the two periods (163). Therefore, while the strong labor market probably helped low-skilled workers find employment, the possibility that wage growth is so similar suggests that the strong markets of the 1990s did not help the high flyers of the Harlem study as much as would be expected (163).

Recommendations and Implications

Newman offers several recommendations. First, as evidenced by some in the Up but Not Out group, access to education is important. Many low-wage workers cannot complete their educations because of welfare work requirements. Each year, more than \$9 billion in Pell Grants helps students and families pay for higher education. However, Pell Grant regulations are for “regular students” making “satisfactory progress” in their education (276). Many low-wage workers are non-traditional students older than 24 years old or enrolled on a part-time basis (276). Pell Grants are unavailable for these students. Newman suggests changing Pell Grant regulations to allow the working poor to receive funding for higher education.

Second, Newman suggests that states should follow the federal government in establishing and expanding Earned Income Tax Credits (279). At the very least, states should reduce the tax burden of EITC recipients to zero so they do not owe income tax (279). States should also go further in rewarding low-wage workers by allowing them to declare EITC refundable (279). Furthermore, states should establish “no tax floors.” This system would allow families with earnings below a set number to pay no tax (280). Finally, landlords should be compelled to pass savings from deductions in their real estate taxes to tenants (280).

Third, Newman advocates extending state child health insurance programs or Medicaid eligibility to parents above the current income limits (282). In 2006, a working parent earning 71 percent of the federal poverty guideline was ineligible for public health coverage (282). Finally, states should provide partial pay for employees who need time off from work to care for a new child or a seriously ill family member (283).

Fourth, states should develop systems of reasonably priced child care to keep parents in the workforce (284). The best child care programs would be those that promote early childhood development of cognitive skills (284). Following the lead of states like Georgia, Oklahoma, and New Jersey, states should develop prekindergarten as part of the public school system (285).

Fifth, many low-income families have difficulty determining their eligibility for certain public benefits. States should create Web-based

tools that allow individuals and families to determine their eligibility for aid and enroll at the same time (286). Simply helping low-wage workers know their eligibility will ensure that needed funds get to the hands of those who most need them.

Analysis / Critique

One of the strengths of *Chutes and Ladders* is the style in which it is written. Oftentimes, books and studies of the issues surrounding poverty and low-wage work are a collection of statistics and policy recommendations. Through the use of the narrative, Newman is able to put a face and a story behind the statistics. The people featured in the book almost become characters in a novel. Their lives, including their struggles and successes, provide a good framework for the statistics about low-wage work and poverty. By personalizing the statistics, Newman makes it harder to ignore the central issues of the book. It is not easy to brush off the data when a reader imagines the actual lives of the people interviewed for the book.

One of the frustrating aspects of the book is Newman's inability to draw causal connections between a change in an individual's life and his or her earnings. Oftentimes Newman highlights the importance of a change in a person's situation, but follows up by stating she could not determine if the changed situation caused the increased wages or the increased wages caused the changed situation (117). The limited sample size Newman interviewed in 2002 plays a big role in limiting her ability to draw these connections. However, without these connections, it could be difficult for policymakers to shape effective policy based on Newman's conclusions.

A lasting component of *Chutes and Ladders* is Newman's analysis of wage earnings in two very different economic climates. It was surprising to find out that an individual's prospects for wage growth did not increase dramatically as the economy strengthened. Policymakers who argue that a good economy is the way for people to earn higher wages should reevaluate their position after reading *Chutes and Ladders*. Instead of relying on a potentially better economy in the future to lift people out of poverty, policymakers need to take an active role in the now in supporting low-wage workers.