Main Messages

Sacred and secular thinkers agree that the dignity of work is a bedrock principle of a just economy.

Workers in low-paying jobs are vulnerable to workplace indignities, from poverty-level wages and lack of benefits to wage theft and other labor violations.

Because of the decline of unions, millions of workers have lost the ability to negotiate adequate pay and benefits.

Compared to other high-income countries, the United States invests a much lower share of gross domestic product (GDP) in helping workers adapt to the changing global economy.

People who have worked hard and contributed to society and the economy often face economic insecurity in retirement.
Standing up for Dignity

All workers should be treated with dignity. This sounds like a given, but it’s not: people who are paid least—the working poor—suffer many indignities.

This chapter focuses on workers in the United States, but the dignity of work is universal. Work is the main way people are liberated from poverty and hunger: by earning our daily bread.

World religions describe work as a major source of dignity in our lives. The Bible and other sacred texts are filled with passages affirming this. The dignity of work is one of the central tenets of Catholic social teaching, one that Pope Francis has mentioned many times. “There is no worse material poverty,” he says, “than one that does not allow for earning one’s bread and deprives one of the dignity of work.”

Secular philosophers—from Aristotle to Adam Smith—have championed the dignity of work. The U.S. Declaration of Independence affirms the God-given rights to “life, liberty, and the pursuit of happiness.” None of the three is possible without work that enables people to meet their needs.

But not all work is materially or spiritually satisfying. Some jobs are drudgery and do not pay enough to meet basic needs. But to put food on the table for themselves and their families, people still do this work, day after day and year after year.

“So often we overlook the work and the significance of those who are not in professional jobs,” said the Rev. Dr. Martin Luther King Jr., at a rally in Memphis in March 1968, two weeks before he was assassinated there. King had come to Memphis to support striking sanitation workers. “Let me say to you tonight,” he told the crowd, “that whenever you are engaged in work that serves humanity and is for the building of humanity, it has dignity, and it has worth.”

In 2015, when 193 countries adopted the Sustainable Development Goals (SDGs), which include ending hunger and malnutrition by 2030, they agreed on a bedrock principle of dignity for all. According to the SDG preamble, “the dignity of the human person is fundamental” to achieving the SDGs, while SDG 8 calls specifically for “full and productive employment and decent work for all.”

Wise employers understand that productivity increases when workers are treated with dignity and respect. “Dignity is fundamental to well-being and to human and organizational thriving,” writes management consultant Monique Valcour in the Harvard Business Review. “Unfortunately, once dignity is assaulted, a downward spiral is often set in motion. Employees may respond by reducing their effort and commitment, which leads misguided managers, who may interpret such employee withdrawal as petulance or unwillingness to cooperate, to treat them with even less respect.”

We focus on the retail and restaurant/food sectors in this chapter since they employ large numbers of workers in jobs that are typically low-paying and often lack benefits such as paid sick leave. This sometimes creates a self-reinforcing cycle, with lower pay leading to higher staff turnover, and higher staff turnover leading businesses to invest less in employee training and offer fewer opportunities for career advancement.

Some businesses have clearly demonstrated that treating relatively low-wage workers well can be profitable for the company. Costco, for example, is one of the most profitable retailers in the world. The company pays higher wages, invests more in employee training, and has lower turnover rates than its competition. As a result, Costco workers are among the most productive and most satisfied in the industry.

The only fast food chain to make the top 100 on the Forbes list of America’s Best Employers, In-N-Out Burger, has 16,000 employees in six Western states. Wages start at $11 an hour, the highest in the industry. Benefits such as flexible schedules, paid time off, and a 401k plan are extended to both full-time and part-time workers. In-N-Out also pays managers more than most fast-food companies, and their average tenure is nearly 15 years.

But abusive labor practices are widespread in the U.S. job market, especially in the retail and food sectors. This chapter highlights common indignities and
This page offers reforms to help ensure that U.S. policies uphold the dignity of all workers.

**The Fight for Decent Wages**

Polling data show broad public support, across ideological and political lines, for a higher minimum wage.\(^{13}\) Most states—including 19 states in 2016 alone—have adopted a higher minimum wage than the federal minimum,\(^ {14}\) which has been stalled at $7.25 an hour since 2009. In states that raised their minimum wage in 2016, wage growth among the lowest tenth of wage earners was 5.2 percent, versus only 2.5 percent in states that did not.\(^ {15}\)

Less than a decade ago, the notion of a $15 minimum hourly wage might have seemed far-fetched. Today, $15 has gone mainstream. In 2014, Seattle became the first major city to adopt a $15 minimum wage (see Box 4.1). New York and California, the two most populous states, will raise their state minimum wages to $15 an hour by 2020 and 2022, respectively; and eight other states (New Jersey, Vermont, Massachusetts, Connecticut, Rhode Island, New Hampshire, Ohio, and Pennsylvania) are weighing increases that would put their minimums at $15.\(^ {16}\)

Despite progress among states, Congress is not off the hook for ensuring a fairer federal minimum wage. Nearly 40 percent of workers live in a state, county, or city that follows the federal minimum wage.\(^ {17}\) Because the wage is not indexed to inflation, every year that it remains at $7.25 further erodes its value.

Groups who oppose increasing the minimum wage argue that employers will respond by not employing as many low-wage workers and investing more in labor-saving technology. But studies of past increases in the minimum wage show that moderate increases do not cause significant problems.\(^ {18}\)

In 2017, members of both the House of Representatives and Senate introduced the Raise the Minimum Wage Act, which would raise the federal minimum wage to $15 an hour by 2024. The bill has been met with resistance from the Republican majority in Congress, but it has received support from a growing number of Democrats.

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**Figure 4.1** The Federal Minimum Wage Would be Much Higher if it Had Kept Up With a Growing Economy

Wage Act. The legislation calls for lifting the federal minimum wage in incremental stages to $15 an hour by 2024. David Cooper of the Economic Policy Institute estimates that this would raise the pay of 41 million workers. Eighty-two percent of the workers who would be affected by the legislation have earned a high school degree, and 13 percent a bachelor’s degree or higher. Their average age is 36. If the increase is not linked to inflation, $15 in 2024 will be equivalent to $12.50 in 2016 dollars.

The Raise the Minimum Wage Act follows several peer nations by indexing minimum wage increases to increases in the median wage. Economist Arindrajit Dube of the University of Massachusetts estimates that an increase in the minimum wage of just 10 percent (72 or 73 cents more per hour) could reduce the number of people living in poverty by 2.4 percent.

As discussed earlier, most workers in the United States have experienced more than a generation of wage stagnation, a period that largely coincides with the decoupling of the minimum wage from the overall economy’s productivity growth. If the minimum wage had continued to be linked to increases in national

Seattle’s $15 Minimum Wage Draws Attention

In 2014, Seattle became the first major city in the nation to adopt a $15 minimum wage, phasing it in over four years for employers with more than 500 employees, and over seven years for employers with 500 or fewer employees.

In 2017, the city’s decision came under intense scrutiny when researchers from the University of Washington published a study examining the effects of the wage increase from $11 to $13 between 2015 and 2016. They reported that employment levels in Seattle had decreased in low-wage jobs they studied, and workers’ pay in those jobs had gone down.

Many critics pointed out flaws in the study’s methodology. The most serious of these is that the study excludes 40 percent of Seattle’s low-wage workforce—all workers whose employer has multiple locations, such as McDonald’s, Starbucks, and Walmart.

Another problem is that when workers at smaller companies moved to higher-paying jobs with a large employer—which happened frequently in the years studied since large employers had been required to phase in the minimum wage increase more quickly—the study counted these as jobs that were lost because of the minimum wage increase. Yet these workers now had new jobs that paid on average $2.50 an hour more than their previous jobs.

A separate study of Seattle’s food service industry by researchers from the University of California drew a much different conclusion about the minimum wage increase. They reported, “Our results show that wages in food services did increase—indicating the policy achieved its goal—and our estimates of the wage increases are in line with the lion’s share of results in previous credible minimum wage studies … Employment in food service was not affected, even among the limited-service restaurants, many of them franchisees, for whom the policy was most binding.”

In any case, Seattle’s economy is booming and demand for labor is high. Thus, Seattle’s experience is not a good measure of what the impact of a $15 minimum wage would be in less prosperous parts of the country.
productivity, it would now be well over $15 an hour (see Figure 4.1).

Meanwhile, some state legislatures have prohibited cities and other local jurisdictions from establishing a local minimum wage that is higher than the state minimum. In August 2017, Missouri’s state legislature passed a law requiring St. Louis to maintain the state minimum wage of $7.70 rather than enact a planned local increase to $11 by 2018. Since 2016, seven other states (Alabama, Idaho, Kentucky, North Carolina, Ohio, Arkansas, and Iowa) have passed similar laws preventing higher local minimum wages from taking effect.23 Such state actions underscore the need for federal legislation that establishes and requires fair labor standards.

A Subminimum Wage and Worse

Federal law permits employers to pay certain groups of workers a subminimum wage. The nation’s 2.5 million24 restaurant servers, better known as waitresses and waiters, are the largest and most visible group in the subminimum-wage workforce. They are the faces of the “working poor.” Restaurant Opportunities Centers United, an advocacy organization for low-income workers, reports that servers receive SNAP benefits to help pay for groceries at twice the rate of the rest of the U.S. workforce, and they are three times as likely to be living in poverty.25

The restaurant industry is one of the leaders in job growth—which means that a rapidly growing population of workers is being paid a subminimum wage. In 2014, the Bureau of Labor Statistics reported that more than 50 percent of all new jobs created since 2010 were restaurant jobs.26 In the first six months of 2017, restaurants outpaced health care, construction, and manufacturing in job creation.27

Servers earn a “tipped wage,” which has a federally established floor of $2.13 an hour. At chain restaurants, where most servers work, tips are rarely lavish, usually meager, and sometimes nonexistent. Most tipped workers are 25 or older, not teenagers just earning spending money (see Figure 4.2).28 Servers are predominantly women and disproportionately people of color. Tipping itself is often discriminatory. Research shows, for example, that white women receive larger tips than African American women for the same quality of service.29

How can workers legally be paid less than the “minimum” wage? Employers are required to make up the difference when a worker’s tips together with the hourly wage do not bring her earnings to $7.25 an hour, but this is rarely enforced. The tipped minimum wage falls under different legislation than the regular minimum wage. It has not been increased since 1991. The National Restaurant Association asserts that a raise would have catastrophic effects on restaurant sales and cause the layoff of many workers.30 Yet 32 states have raised the tipped minimum wage above $2.13,31 and research shows that “Paying tipped workers the regular minimum wage has had no discernible effect on leisure and hospital employment growth” in states where current law requires this.32

Figure 4.2 Distribution of Tipped Workers, Earning Subminimum Wages, by Age Group

<table>
<thead>
<tr>
<th>Age Group</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Age 20-24</td>
<td>24.5%</td>
</tr>
<tr>
<td>Age 25-39</td>
<td>33.5%</td>
</tr>
<tr>
<td>Age 40-54</td>
<td>19.3%</td>
</tr>
<tr>
<td>Age 55+</td>
<td>10.0%</td>
</tr>
</tbody>
</table>

Paid Family Leave—Not Everyone Gets It

Most workers do not have paid sick leave or time off when needed to care for a sick child or elderly parent.

Just 33 percent of full-time, year-round workers earning $15,000 or less have access to paid sick leave, compared to nearly 90 percent of those earning $65,000 or more (see Figure 4.3).1 A national survey conducted by Hart Research Associates found that one in seven low-wage workers reported having lost a job for taking a sick day or to care for themselves or a family member.2

At her death in 2017, Brenda Barnes, former president and chief executive of Pepsi-Cola, was eulogized for her decision, 20 years earlier, to walk away from a corporate career to devote more time to raising her children.3 In interviews with employers, however, researchers encounter much less empathy for employees in low-wage occupations who need flexible work schedules to meet the everyday demands of parenting.

The United States is the only high-income country that does not guarantee workers paid sick leave, vacation, or time off after the birth of a child. As a result, one in four women are back at work within 10 days of giving birth. Some large employers of low-wage workers do offer paid maternity leave, but it may or may not extend to most workers. In early 2017, Starbucks made headlines and received laudatory press when it came out with a new maternity leave policy—until it became clear that the policy was meant for workers in corporate positions, not store employees.4

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**Figure 4.3 Access to Paid Sick Days by Personal Earnings**

(Employed individuals 18 years and older)

<table>
<thead>
<tr>
<th>ANNUAL INCOME</th>
<th>Part-time workers</th>
<th>Full-time, Year-round workers</th>
<th>All workers</th>
</tr>
</thead>
<tbody>
<tr>
<td>$1 - $14,999</td>
<td>14%</td>
<td>22%</td>
<td>33%</td>
</tr>
<tr>
<td>$15,000 - $34,999</td>
<td>34%</td>
<td>58%</td>
<td>53%</td>
</tr>
<tr>
<td>$35,000 - $64,999</td>
<td>60%</td>
<td>78%</td>
<td>76%</td>
</tr>
<tr>
<td>$65,000+</td>
<td>71%</td>
<td>86%</td>
<td>86%</td>
</tr>
</tbody>
</table>

Note: Access rates are calculated for employed individuals who responded yes or no to the following question: Do you have paid sick leave on your main job or business? Source: Institute for Women’s Policy Research (IWPR) analysis of the 2014 National Health Interview Survey (NHIS).
One of the most egregious assaults on a worker’s dignity is wage theft, yet it is also a widespread crime against workers in low-wage sectors, particularly those paid minimum or subminimum wages. Wage theft takes many forms. Besides withholding tips from workers or failing to make up the difference between tips and the regular minimum wage, other common forms include failing to pay workers overtime, requiring work off the clock, denying legally protected breaks, and misclassifying employees as independent contractors.

Wage theft is a nationwide problem that is particularly common in restaurants. Of the full-service restaurants investigated between 2009 and 2015, wage theft from tipped workers was one of the most common violations.33

In a study of the 10 most populous states, researchers found that 2.4 million year-round minimum wage workers lost an average of $3,300 to wage theft—nearly 25 percent of their earned wages for the year.34 Earning poverty-level wages as it is, workers whose wages are stolen are pushed deeper into poverty.

The Economic Policy Institute estimates the annual losses to workers nationwide at $50 billion. The Department of Labor’s understaffed Wage and Hour Division has the capacity to recover only a fraction of it because there are only 1,000 investigators to enforce wage laws in 7.3 million U.S. workplaces with 135 million workers.35

“The civil penalties under the Fair Labor Standards Act are too weak to act as an effective deterrent,” said Amy Traub of the public policy organization Demos. “For first-time offenders or cases where a violation cannot be proven to be willful, the law imposes no penalty at all. Even for repeat or willful violations, the maximum penalty is $1,100.”37

Clearly, the main victims of wage theft are the workers who lose much-needed money that they earned. It also costs the taxpayers money. With incomes even lower than they would otherwise be, families need more help from government nutrition programs to put food on the table. According to a 2014 Department of Labor report, minimum wage violations in fiscal year 2011 were responsible for $16.6 million in additional school meal costs in California and $7.8 million in New York.38

**Misclassification and the Gig Economy**

Earlier we mentioned misclassification as a common form of wage theft. The term means that a worker meets the legal definition of an employee but is classified differently, usually as an independent contractor.39

Millions of U.S. workers are misclassified as independent contractors. Under the Fair Labor Standards Act, a worker is considered an employee if he or she is “economically dependent” on an employer for continued employment.40 Employees receive paychecks, and the employer pays part of the worker’s payroll and other employment taxes.

Independent contractors, on the other hand, are considered self-employed under employment law. They must pay all their own payroll taxes and they are on their own in obtaining health insurance. Independent contractors are also excluded from many legal protections that employees have, such as protection against violations of minimum wage and overtime requirements, occupational hazards, sexual harassment, or many forms of discrimination (see Table 4.1).

Researchers estimate that more than one-third of all construction workers in the South are misclassified as independent contractors.41 Nearly two-thirds of the nation’s 75,000 port truck drivers are misclassified as independent contractors.42 Both jobs involve a great deal of physical exertion, and workers are vulnerable to injuries. But employers are not responsible for providing independent contractors with workers’ compensation coverage.

In addition to the harm suffered by workers, misclassification costs federal and state taxpayers. The Economic Roundtable, a public benefits research organization, estimated that in California, where one in six construction workers are either paid “off the books” or misclassified as independent contractors, the federal government lost $301 million in tax revenue and the state another $473 million in 2011 alone.43
Lax enforcement of labor laws can enable employers to misclassify workers without penalty. Some states have recognized this, and at least 19 states have now established initiatives to enforce labor law.  

Employers also are not required to notify workers that they are classified as independent contractors. Some workers are not aware that they have obligations as “self-employed” taxpayers until they file their taxes. Sen. Sherrod Brown (D-OH) introduced the Payroll Fraud Prevention Act in 2012 and again in 2013, 2015, and 2017. The law would require employers to notify workers of their employment status, and it would impose penalties on those that fail to do so. The law would also allow workers to question their classification.

Independent contracting, whether legitimate or misclassified, is the largest among several types of increasingly common alternative work arrangements—the so-called “gig” economy. Other examples include workers provided by contract firms, temporary help agency workers, and on-call workers (e.g., Uber drivers).

The entire net increase in jobs between 2005 and 2015 was in alternative work arrangements. The number of full-time employees declined over this decade—a decade that included the Great Recession.

The changing structure of work raises questions about how workers receive benefits and protections if these are no longer accessed.
Your Schedule—Take It or Leave It

It is hard to count on a stable income when your work schedule is constantly changing—but unpredictable and irregular work schedules are an ordinary part of low-wage jobs. A survey of 436 retail and restaurant workers in Washington, D.C., found that nearly half received their schedules less than a week in advance, and a third less than three days in advance.¹

Without a predictable schedule, it is difficult to pursue education or training. According to Leila Morsy and Richard Rothstein in their study, Parents’ Unpredictable Work Schedules Make Adequate Childrearing Difficult, “In many states, parents working irregular schedules even lose eligibility for child care subsidies.”²

Last minute changes to schedules are also common in low-wage work. A manager can decide an employee is not needed and send her home mid-shift, or suddenly add hours to her posted schedule without notice. An employee can refuse to work late, but then she could be fired on the spot or left off the next week’s schedule—a real dilemma since she lives paycheck to paycheck.

Increasingly, companies are using a “just in time” scheduling model, meaning that they schedule workers according to expected busy or slack times, sometimes with the aid of scheduling software. This also means that employees may be called to come in last-minute shifts or, conversely, sent home partway through their shift, with disruptive effects on their incomes, childcare arrangements, and ability to work a second job or attend classes. According to Heather Boushey and Bridget Ansel of the Washington Center for Equitable Growth, this practice is widespread across the low-wage service industry.³

Cities and states are beginning to require scheduling that is more stable and predictable for employees.

In 2014, San Francisco became the first jurisdiction to adopt a predictive scheduling law. Employers are required to post a schedule at least 14 days in advance and pay extra if a worker’s schedule is changed without sufficient notice. Since then, Seattle and New York City have enacted similar laws, and at least 13 states and several more municipalities are considering their own predictive scheduling legislation.⁴

At the federal level, the Schedules That Work Act of 2017 has been introduced in both the House and the Senate.⁵ The bill establishes standards for schedule predictability and protects employees who request scheduling changes from employer retaliation. Employers are not required to grant the schedule request, but must offer a legitimate reason for rejecting it. Studies of “right-to-request” scheduling laws in other countries find that they help workers manage caregiving and work responsibilities while causing few problems for employers.⁶
through their relationship with an employer. The rise of alternative work arrangements has generated interest in the concept of portable benefits that travel with workers from job to job. The concept got a boost with the implementation of the Affordable Care Act, which makes a key benefit, health insurance, portable. Some members of Congress have concluded it may be time to begin “test driving” portable benefits models for an independent workforce.\(^4^9\)

**The Loss of Collective Bargaining Rights**

Workers form unions to increase their bargaining power with employers. The labor movement was instrumental in establishing an eight-hour workday, workplace safety regulations such as access to emergency exits, and a host of other important protections for workers, and collective bargaining remains an important way of winning pay increases and better benefits.

In an era of eroding wages and benefits, soaring inequalities of income and wealth, and rules and practices redefining what it means to be an employee, ensuring the right of workers to form a union so that they can bargain collectively is imperative.

To paraphrase Mark Twain, reports of organized labor’s death are greatly exaggerated, although new “obituaries” appear regularly. The threats to unions and the right to organize are real, however, and should be taken seriously. Union density has declined in all high-income countries, but in few peer countries have unions been weakened as much as in the United States.

Union density peaked in the United States in 1954, when membership reached 28.3 percent of the workforce.\(^5^0\) Today, the percentage of private-sector workers who are members of a union is lower than when President Franklin Roosevelt signed the National Labor Relations Act in 1935—legislation written expressly to protect the rights of workers to organize and to curtail exploitative management practices.\(^5^1\)

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**Figure 4.4 Union Wage Advantage for Black Workers, by Education Level, 2010-2015**

![Bar chart showing union wage advantage for black workers by education level, 2010-2015.](image)

In 2016, 6.4 percent of private-sector workers were members of a union, continuing what has been a steady decline since 1979. Union density is much higher in the public sector, at 34.4 percent, but because the private sector is so much larger than the public sector, there are more union members in the private sector (7.4 million) than in the public sector (7.1 million). In 2016, private sector and public sector union members combined accounted for 10.7 percent of all workers in the United States.

Union workers earn 14 percent higher wages than their nonunion counterparts, and they are 28 percent more likely to have employer-provided health insurance, 54 percent more likely to have a retirement plan, and 23 percent more likely to have paid sick leave. Children’s intergenerational mobility rates are higher in households with parents who are union members than those whose parents do similar work but are not unionized. Researchers have also found that higher union density is also associated with the well-being of all children in an area, not just the children of union parents.

Women whose workplace is unionized benefit in two ways: they earn more than women in a nonunion workplace, and there is a smaller pay gap with what men in that workplace are paid. The civil rights and labor movements are natural allies in the struggle for dignity. African Americans have endured racism across all types of institutions in society, including in organized labor, but civil rights leaders understood early on that unions are a vital institution for achieving economic justice if not racial justice. Unionization rates are higher for African Americans than for whites or Latinos, and African-American workers of all education levels earn higher wages than their nonunion counterparts, as shown in Figure 4.4.

The steep decline in union membership in the United States was not inevitable. Union membership in Canada is at 30 percent and has declined only slightly since the 1970s. Canada is perhaps a better comparison than countries in Scandinavia or other parts of Western Europe whose union membership is also much higher than in the United States. Canada’s economy

Organizing Without a Union

As union membership has fallen, alternative forms of labor organizing have risen. Sometimes referred to collectively as “alt-labor,” nonunion worker groups have essentially the same goals as unions: increasing wages and improving working conditions. The Restaurant Opportunities Centers United (ROC) has emerged as a national alt-labor leader. Nonunion fast food workers affiliated with ROC launched the movement to raise the minimum wage to $15 an hour, which soon gained nationwide exposure.

The National Domestic Workers Alliance (NDWA) is another alt-labor group representing some of the lowest-paid workers in the country—housekeepers, nannies, and eldercare providers. Ninety-five percent are women, nearly half are immigrants, and nearly 25 percent are paid less than minimum wage. When the National Labor Relations Act was established in 1935, domestic work and other jobs done predominantly by women and/or people of color were excluded. Domestic workers still do not have the right to form a union, nor a right to a minimum wage or overtime pay.

It is difficult to say how many domestic workers there are in the United States, because much of the work is done “off the books.” Since its inception in 2007, NDWA has grown to include more than 60 affiliated organizations, more than half of them in California, New York, and Texas, and the rest in 17 other states.

“The traditional oppositional model of bargaining is one that doesn’t work in our sector,” says NDWA’s executive director, Ai-jen Poo. “And that’s forced us to be creative about finding the right partnerships and the right opportunities to elevate working conditions and standards together with employers and consumers.”

Box 4.4
and culture are more like ours. What is different in Canada is that government policies are friendly to unions. It is much easier and takes less time to form a union in Canada, and it is harder for management to obstruct union membership drives, mainly because Canada adjudicates charges of obstruction much more quickly.58

In Canada, there is no equivalent of the U.S. “right-to-work” laws, which prohibit unions from collecting fees from non-union employees at workplaces covered by union contracts. Union leaders argue that collecting union fees from non-members is reasonable since unions bargain for better wages and benefits for both their own members and non-members. Nonetheless, 28 states have adopted right-to-work laws, and there are proposals in Congress to enact a nationwide right-to-work law.

Labor leaders say that right-to-work laws exist for the sole purpose of making it harder for unions to sustain themselves. Business leaders and some elected officials argue that right-to-work laws are necessary to fight burdensome U.S. regulations that harm the economy and lead to fewer jobs. There is little evidence, however, that regulations explain why businesses do not hire more workers. Instead, the evidence shows that when demand increases for goods and services, businesses respond quickly and with no apparent interference from regulations.

The most important pro-union piece of legislation introduced in Congress since the turn of the century, the Employee Free Choice Act, would amend the National Labor Relations Act to make it easier for workers to join a union by streamlining union certification.

Losing a Job

We know that the national economy has periodic recessions, characterized by rising unemployment rates. This means that it is both possible and essential for government to prepare ahead of time so that the next recession does not become another Great Recession. Policies that protect the economy, including maintaining sufficient reserves in the unemployment insurance system, will help communities and individuals recover from job loss and “get the economy moving again.”

“Being jobless can be a soul-killing experience,” says Kevin Meyer, a New Jersey man who in December 2012, at the age of 50, was laid off from a corporate job with a six-figure salary and spent the next two years unemployed.59 Meyer was already a cancer survivor, but he found that he was in worse psychological condition when he was out of work. “I battled an aggressive form of cancer into remission in 2006. As difficult as my cancer was, long-term unemployment has been worse. If I failed to beat cancer, my family had my company insurance and would have been cared for. If I fail to beat unemployment, I will leave them with nothing.”60

Older workers who have been laid off are less likely to be rehired than younger ones.61 As Meyer told officials at a 2014 roundtable in Washington, D.C., sponsored by the Department of Labor, “For many, the work we do is an important part of our identity and a source of dignity.”62 He pointed out that it gave little comfort to hear them say that the unemployment rate was falling. “I’ve learned that all that data is irrelevant if you are unemployed—because to you, the [unemployment] rate is 100 percent.”63

Long-term unemployment, defined as 27 consecutive weeks or more, is associated with numerous adverse health effects. Long stretches of unemployment raise the risk of heart disease and are associated with higher rates of alcohol and drug abuse.64 Depression and suicide rates also increase, most commonly among older people.65

In the period since the start of the Great Recession, it has been more likely than in almost any other post-war period that people who lose their jobs will be out of work for a long time (see Figure 4.5). More than eight years after the recession’s official end, nearly one in four unemployed persons has been out of work longer than 26 weeks.66 In earlier economic cycles, by contrast, a smaller percentage of unemployed people were still out of work by then. Long-term unemployment affects workers at every education level. Someone with a bachelor’s degree or higher is only at slightly lower risk than someone who hasn’t finished high school.67
The Great Recession and the long, slow recovery from it exposed both the strengths and the weaknesses of the U.S. unemployment insurance system. In 2011, the second year of the recovery, unemployment benefits reduced the poverty rate among families who received them by almost 40 percent. Along with SNAP, unemployment insurance has one of the strongest multiplier effects of any government program. This is because recipients spend most of the funds right away in local economies. During the Great Recession, for example, each dollar of unemployment benefits delivered a boost of $1.55 to the economy.

Many workers who have been laid off or otherwise lost their jobs through no fault of their own do not qualify for unemployment benefits. They must have worked a minimum number of hours over a minimum period of time—usually one year—for the same employer. This generally excludes part-time workers, even though many people work part-time due to a lack of full-time jobs or because they cannot find affordable child care or eldercare. Between 2011 and 2013, 9 percent of retail workers and almost 14 percent of food services workers were working part-time involuntarily. People who worked for employers with fewer than a specified number of employees, which varies from state to state, are also not eligible. Nor are independent contractors or any other workers with “alternative work arrangements.” Updating the unemployment insurance system to reflect today’s economy, and thus expanding eligibility for unemployment benefits, could help keep future recessions from worsening.

Another potential way of strengthening the unemployment insurance system would be to remove the rule against working part-time while receiving unemployment benefits. It contributes to a Catch-22 situation for many workers. Unemployment insurance does not replace the worker’s entire income, and it is not intended to. In 2015 and 2016, the average benefit replaced 46 percent of lost earnings. Yet those who are receiving benefits cannot take a part-time or temporary job to help make ends meet—and many do not have savings to fall back on. A study using 15 years of data, all prior to the Great Recession, found that nearly half of workers who had lost their jobs had no liquid assets available for emergencies.

A third improvement would be to improve the system’s financing structure. State unemployment insurance programs are funded by state and federal payroll
taxes. The federal tax rate is 0.6 percent and applies to just the first $7,000 of an employee’s annual earnings, so it adds up to just $42 per year per worker. Most states also have low unemployment insurance tax rates. Before the Great Recession, the average state tax rate was 0.65 percent of total wages, the lowest in the history of the unemployment insurance program.74

Such low tax rates make it difficult for states to build up reserves for times of need. During the Great Recession, 36 states required federal loans to continue paying their normal benefits,75 benefits they were legally required to pay. Even in a period of low unemployment rates, such as 2017, some states do not have enough in reserves to cover even one year’s worth of benefits.76

State financing structures factor significantly in the likelihood of receiving unemployment benefits. This varies widely from state to state—while 49 percent of jobless workers in New Jersey received unemployment benefits, only 10 percent of those in Florida did.77 As

Box 4.5

Work-Sharing to Minimize Unemployment During Recession

The Great Recession was a shock felt around the world, but government policies made a difference in how people experienced it. Germany managed to avoid high unemployment rates, even though it is heavily dependent on exports and its customers could no longer afford to import German products at pre-recession levels.

By most measures, the German economy fared poorly. Unemployment rose, but more moderately and for a shorter time than in the United States. Germany’s labor market policies enabled it to minimize the impact of the recession on unemployment.1 The most important of these is “work-sharing,” which encourages companies to employ workers part-time rather than laying them off.

“Generally, the system works in the following way,” explains Dean Baker of the Center for Economic Policy and Research. “If a worker’s hours are cut by 20 percent, the government makes up 40 percent of the difference (8 percent of the worker’s total pay), and the employer makes up the other 40 percent (another 8 percent of total pay). In this situation, the worker ends up with a pay cut of just 4 percent.”2

Work-sharing works well for employers and the government, as well as for the workers whose incomes remain relatively steady. Once the economy improves, employers save on the cost of recruiting and training new workers. The government would have the cost of unemployment benefits if a worker is laid off, so it is not losing financially by subsidizing part-time work instead.

In the United States, the concept of work-sharing enjoys support at both conservative think tanks such as the American Enterprise Institute and progressive ones such as the Center for Economic and Policy Research,3 but work-sharing is underutilized. Although 29 states have such a program on the books, few employers know about them, and some of those that have tried them report being dissatisfied with what they see as their overly bureaucratic rules.4

Rhode Island is one state that promoted work-sharing during the Great Recession. In 2009, 9.7 percent of all unemployment insurance benefits in the state were work-sharing benefits.5 In most other states, work-sharing benefits amounted to less than 1 percent. Rhode Island’s higher participation rate was due to an aggressive marketing campaign and to easing the administrative burdens on employers.6

“Work-sharing” encourages companies to employ workers part-time rather than laying them off.
the authors of one report put it, “Two involuntarily unemployed people from different states—with otherwise similar work histories and levels of need—have access to vastly different levels of support.”78

**Reemployment**

In addition to replacing lost income, the government assists unemployed workers in gaining new skills that are in demand in local labor markets. Training and other reemployment services such as job search assistance, career coaching, and case management reduce the length of periods of unemployment,79 and they help people cope with the stress of losing a job. Research suggests that the harmful effects on mental health of extended periods of unemployment may be more severe in high-income countries.80 The testimony of Kevin Meyer puts flesh on this research. A helping hand—a hand to strengthen resolve and boost dignity—can make a world of difference.

In Denmark, workers who lose a job are immediately connected with a career counselor. Career counselors work closely with employers to match them with unemployed workers who have the needed skills.81 Access to retraining programs is universal, and income assistance is available for up to two years.82 Compared to Denmark and nearly all other high-income countries, the United States spends a very small share of national income on reemployment services (see Figure 4.6). Between 1985 and 2015, federal funding for support services within the unemployment insurance system declined by 61 percent. At the same time, the size of the U.S. workforce increased by 36 percent.83

Most training is publicly funded; in recent decades, employer investments in training have declined.84 Employers are often not willing to devote resources to training workers who might then leave to work for a competitor. But lack of savings and little access to credit makes it difficult for unemployed workers to

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**Figure 4.6 Public Spending on Labor Market Programs**

**Share of GDP, 2015**

<table>
<thead>
<tr>
<th>Country</th>
<th>Share of GDP, 2015</th>
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<tbody>
<tr>
<td>MEX</td>
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<tr>
<td>JPN</td>
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<td>CHL</td>
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<td>KOR</td>
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<td>SVN</td>
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<td>CAN</td>
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<td>NOR</td>
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<td>CHE</td>
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<td>LUX</td>
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<td>ITA</td>
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<td>FRA</td>
<td>13.5%</td>
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<tr>
<td>DNK</td>
<td>14.0%</td>
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</tbody>
</table>

*Note: Labor market programs include public employment services, training and apprenticeships, hiring subsidies, direct job creation, and unemployment benefits. Source: Brookings Institution, based on data collected by the Organization for Economic Cooperation and Development.*
finance training themselves. More than half of the participants in federally funded training programs are low-income, and a quarter receive benefits from a public safety-net program.85

Although the United States spends less on reemployment services than other developed countries, the federal government funds a number of programs. Until recently, many overlapped—a 2011 report by the Government Accountability Office identified 47 employment and training programs in nine separate federal agencies.86 The Workforce Innovation and Opportunity Act (WIOA), passed in 2015 with overwhelming bipartisan support, eliminated 15 small programs and streamlined others.87

The most substantive change WIOA brings is an increased focus on partnerships with business and on-the-job training. In addition, more funding will be dispersed at the local level. In exchange for broad discretion over how they can use funds, localities will be held more accountable for their performance.88

Two of our peer countries in Europe have programs that benefit both unemployed workers and their

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Do Work Requirements Help People Find Work?

By Cynthia Woodside

Policymakers at all levels of government continue to propose adding work requirements to the country’s major benefit programs—the Supplemental Nutrition Assistance Program (SNAP, formerly food stamps) and Medicaid. Such proposals ignore the facts and realities of the programs and the vulnerable people they serve and would jeopardize continued access to these life-saving programs. Most SNAP and Medicaid recipients are already working, looking for work, or unable to work.

SNAP

- Nearly 60 percent of SNAP households with at least one working-age, non-disabled adult already have someone in the workforce.1
- Close to 70 percent of all SNAP participants are not expected to work. They are children, elders, people with disabilities, or people working as unpaid caregivers for family members with disabilities.2

Medicaid

- Nearly 60 percent of Medicaid enrollees are working, and 78 percent live in a family with at least one full-time or part-time worker.3
- Of the Medicaid enrollees who are unemployed, 29 percent are unpaid family caregivers, 20 percent are looking for work, 18 percent are in school, 17 percent are ill or disabled, and 10 percent are retired.4

Access to medical care and food is essential to the well-being of all who are eligible for safety-net programs, including those who are unable to work, looking for work, or working for poverty-level wages. The link between food insecurity and health problems has been documented in a study of working-age adults by the Economic Research Service (ERS) of the U.S. Department of Agriculture.5 Lack of access to sufficient nutritious food is devastating to health and to long-term economic stability. The consequences are costly—to individuals, employers, the healthcare system, and the U.S. economy.

Adding work requirements to programs designed for other purposes doesn’t make sense. Two much better approaches are to improve and expand job training programs and employment services and to adopt policies that will lead to more jobs that pay enough to support a family.

Cynthia Woodside was a senior domestic policy advisor with Bread for the World Institute, 2015-2017.
national economies and are worth our consideration. Apprenticeship programs can help youth and second-career workers get the on-the-job experience they need. Fewer than 5 percent of U.S. youth train as apprentices, whereas in Germany, it is closer to 60 percent.\textsuperscript{89} Germany’s apprenticeship system is credited with maintaining the country’s low youth unemployment rate during the Great Recession. The average age of an apprentice in Germany is 18; in the United States, the average age is 30.\textsuperscript{90} Apprenticeships were once more common in the U.S. blue-collar workforce. Traditionally, unions oversaw the training of apprentices, but as union membership declined, so did the unions’ role in training apprentices.

The second idea the United States could consider is supporting entrepreneurship among unemployed people. Currently, workers lose their eligibility for unemployment benefits if they start a business. In France, however, displaced workers who start a business can receive unemployment benefits for up to three years. Since the program was created in 2002, new business creation in the country has flourished. According to a report by the Ewing Marion Kauffman Foundation, the new entrepreneurs were “more likely to hire, were more productive, and paid higher wages than their incumbent competitors.”\textsuperscript{91}

At points throughout this report, we mention the need to help U.S. workers who lose jobs to international competition. The Trade Adjustment Assistance (TAA) program provides employment services and retraining for such workers.\textsuperscript{92} TAA was authorized in 1974, and it is still the federal government’s main program meeting the needs of people displaced by trade.

TAA’s results have been mixed. It has served approximately 2.2 million trade-displaced workers, but this is far fewer than the number been displaced since 1974.\textsuperscript{93} A study of trade-displaced workers that used data from 1992 to 2007 found that most were relying on Social Security and disability benefits and had not received retraining through TAA.\textsuperscript{94} Other evaluators also conclude that the program has not been very effective in helping enough workers rebound from job losses.\textsuperscript{95} But it is worth exploring how TAA could be strengthened, and its experiences may also prove helpful to any larger workforce retraining effort.

\textbf{Retirement with Dignity}

“Old age is at once the most certain, and for many people the most tragic of all hazards,” said President Franklin D. Roosevelt in November 1934. “There is no tragedy in growing old, but there is tragedy in growing old without means of support.”\textsuperscript{96} In 1935, FDR signed the Social Security Act into law, thus establishing a system of old-age benefits that has done more to reduce poverty and hunger in the United States than any other piece of legislation. In 2015, Social Security benefits reduced the poverty rate for seniors from what would have been 40.5 percent to 8.8 percent, according to analysis by the Center on Budget and Policy Priorities (see Figure 4.7).\textsuperscript{97}

Social insurance programs such as Social Security reflect “the need for collective provision against certain forms of insecurity,” says E.J. Dionne.\textsuperscript{98} It is
a government-backed guarantee available to anyone who has worked for pay for a specified amount of time—generally 10 years, which can be accumulated as 40 “quarters” of three months each—and earned a minimum amount in each quarter of work. Social Security supports individuals who have contributed to a productive economy through work, and it serves the common good. Social Security benefits are not particularly generous, however.

It is important to note, too, that the level of benefits people receive depends on their earnings during their working years. Low-wage workers and other groups, notably women who were encouraged to leave the workforce to raise children, receive lower benefits than people who were paid more during their working years. This means that the Social Security benefits of today’s retirees reflect the workforce’s race and gender pay gaps. Part of the gap is similar to what we have now, but another part is that of an earlier time, when today’s seniors were in their early and prime working years.

The program is funded through federal payroll taxes, half automatically deducted from an employee’s paycheck and half paid by the employer. The tax is 6.2 percent of employee earnings up to a specific amount—which, in 2017, is the first $127,200 of earnings. The cap is pegged to average wage growth and adjusted annually.

The last major reform of Social Security took place in 1983, when a reserve fund was created in anticipation of the baby boomer generation’s reaching retirement age. The trust fund reserves will run out in 2034, but the population of retirees is expected to continue growing after that. Even without the trust fund, however, Social Security will still be able to pay about 80 percent of benefits for the following 75 years. The cost of filling the 20 percent gap would be about 1 percent of the country’s projected GDP for each of the 75 years.

The simplest way of ensuring that Social Security can continue to meet its obligations to retirees would be to raise the threshold of earnings subject to Social Security taxes. As we have discussed, the incomes of the highest-paid workers have been rising much faster than the average wage for the past 35 years. This means that the share of wages subject to the Social Security tax is decreasing—from 90 percent of all wage income in 1983 to 83 percent as of late 2017. See Figure 4.8. The Congressional Budget Office expects a “continued increase in the share of wages earned by higher-income taxpayers; that increase will cause a greater share of wages to be above the maximum amount subject to Social Security payroll taxes.”

Thus, raising the cap would make Social Security tax rates more equal among different income groups. How does this work? About one in 18 people, 5.4 percent of the workforce, earns more than the current cap of $127,200. People who earn $127,200 or less pay Social Security tax on all of their earnings. People who earn more still only pay Social Security tax on the first $127,200 of their earnings—so people who are paid $1 million a year are taxed on only one-eighth of their earnings instead of all of it. In practice, this is as if a person who was paid $1 million in 2017 only contributed to Social Security from January 1 through February 16. Increasing income inequality accounts for more than 40 percent of the projected shortfall in Social Security funding over the next 75 years.

An alternative to raising the income cap, one that would affect all workers rather than only those with the highest incomes, would be to increase the payroll tax rate. This, in fact, has been done in every decade from the 1940s to the 1980s. In opinion polls, most workers say they prefer paying higher payroll taxes to facing cuts in benefits.

The real earnings of most workers have scarcely risen at all in the past 25 years, while the number of millionaire and billionaire earners has increased sixfold over the same time period. Stagnant wages underscore the importance of Social Security to the retirement security of low- and middle-income families. With the cost of living rising faster than wages, families have increasing difficulty saving for retire-
ment. In 2013, the typical middle-income household headed by a person between the ages of 55 and 64 had non-housing wealth of just $89,300, according to the Federal Reserve Board’s most recent Survey of Consumer Finance. When the survey population was disaggregated into five income quintiles, it turned out that the typical household in the bottom quintile had non-housing wealth of negative $10,500. They owed money rather than having any retirement savings.

In 1938, celebrating the third anniversary of the Social Security Act, President Roosevelt used one of his radio addresses to explain the role of government in enabling the financial security of all workers:

“Long before the economic blight of the Depression descended on the nation, millions of our people were living in wastelands of want and fear. Men and women too old and infirm to work either depended on those who had but little to share or spent their remaining years within the walls of a poorhouse. ... Because it has become increasingly difficult for individuals to build their own security single handed, government must step in and help them lay the foundation stones just as government in the past has helped lay the foundations of business and industry. We must face the fact that in this country we have a rich man’s security and a poor man’s security, and the government owes equal obligations to both. National security is not a half-and-half matter. It is all or none.”

There are many ways that government policy can uphold the dignity of all who are working and contributing to our society and economy. This chapter has touched on only a few of them, but they help identify some problems and potential solutions that would improve both individuals’ ability to support themselves and their families, and the country’s ability to build shared and sustained prosperity. They include increasing the minimum wage and enforcing labor laws that protect workers from wage theft and other abuses. These include misclassifying employees as independent contractors, who lack many critical protections such as workplace health and safety requirements. The right to form a union is as important as it has ever been. More stable schedules for workers in low-wage sectors are particularly important to the health of our nation’s children. Policies that help workers who have lost their jobs and ensure that Social Security benefits are available to retirees are also part of the efforts the United States should be making to ensure that every job is a good job.

Figure 4.8 Social Security’s Tax Cap Hasn’t Kept Pace with Disproportionate Earnings Growth at the Top

<table>
<thead>
<tr>
<th>Percent of earnings above Social Security’s payroll tax cap</th>
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<tbody>
<tr>
<td>20%</td>
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<tr>
<td>15</td>
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<tr>
<td>10</td>
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<td>5</td>
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Note: Workers pay Social Security taxes on earnings up to $118,500 and that cap rises annually to take account of increases in average wages.

Source: Center on Budget and Policy Priorities, based on Social Security Administration, Annual Statistical Supplement, 2015.
Job Segregation Fuels Hunger

By Marlysa D. Gamblin

Job segregation is a term used by economists to describe how different groups are systematically overrepresented or underrepresented within and across various occupations.1 Job segregation by race and gender is a major cause of lower pay, fewer opportunities for advancement, and increased risk of hunger among women and people of color in the U.S. labor market.

Women and people of color are overrepresented in lower-paying jobs, particularly in the 10 lowest-paid jobs in the United States.2 These low-mobility jobs are in food preparation, personal care, and service.3 Women of color are the most significantly concentrated in these jobs.4

Two-thirds of service workers are female,5 even though slightly less than 47 percent of the U.S. labor force is female.6 African American workers are 15 percent of the U.S. workforce, but they make up 25 percent of all low-paid service workers, and Latino workers, at 14 percent of the workforce, represent 30 percent of all laborers.7

Only about 30 percent of senior-level managers in private industry are women, 3 percent are African American, and 4.5 percent are Latino.8 Men and whites are overrepresented.

Job segregation has a long history. Segregation by race, in particular, is the result of specific laws and policies. During the Jim Crow era, African Americans were largely working under whites due to the nature of segregation laws.9 This established a caste system restricting the employment opportunities and mobility of African Americans, who were largely confined to the service industry as tipped-based workers.

Federal policies meant to help low-wage workers have often cemented workforce segregation by excluding African American workers. The Fair Labor Standards Act, intended to ensure that millions of working Americans received a minimum wage, specifically excluded tipped-based jobs—jobs held primarily by African Americans. The Social Security Act (SSA) of 1935 provided unemployment insurance, but it too left out many jobs predominantly filled by African Americans. For example, workers in domestic service jobs, such as housekeeping, who have always been disproportionately women of color, did not become eligible for SSA benefits until 1954.10

Laws and policies discriminated against women as well. For example, women were barred altogether from some occupations. Until the 1960s, job openings could legally be advertised as “help wanted—male” or “help wanted—female.” Women are only now, nearly two decades into the 21st century, being allowed to enter a few positions that were traditionally most closely identified with men, such as elite military units. In the past, women also faced legal constraints in fields where they were already working—for example, laws that only allowed women to work during daylight hours.

Beliefs about the differences between men and women and other social and cultural factors are also a major cause of job segregation by gender. Discriminatory laws were often said to ‘protect’ women. Still another factor is the assumption that all or nearly all women have husbands who are able and willing to support them financially—even though this has never been accurate. So, for example, women who...
sought higher-paying work were thought to be taking jobs away from men who needed them to support families.

The restaurant industry is a sizeable sector that also reflects challenges in other parts of the labor market, so it deserves special mention in the story of how race and gender discrimination lead to hunger and poverty. Seven of the 10 lowest-paid occupations in the country are in restaurant work, one of the lowest paid industries in the country. Even within this sector, whites, particularly white men, are more likely to get the minority of jobs that pay a livable wage. People of color who work in the restaurant industry are twice as likely to live below the poverty line as white restaurant workers.

“The Great Service Divide” report, sponsored by the Restaurant Opportunities Centers United (ROC), found that white workers were twice as likely to be hired as equally qualified or better qualified workers of color. Economist John Nunley found that service jobs with the most customer contact had the highest levels of discrimination. Although 52 percent of restaurant workers are women, only 22 percent of higher-paid non-management jobs are filled by women. White workers are overrepresented compared with people of color to a comparable degree.

Collective bargaining has been used to address job segregation within sectors. In 2000, UNITE-HERE (a conglomerate of local union affiliates representing hospitality workers) created the African American Hiring Initiative within its diversity program. The initiative supports local unions to secure contractual commitments to diversity in hiring from hospitality employers. In Chicago, the local affiliate connected community groups and historically black colleges and universities with hospitality employment opportunities. Outreach, hiring, and promotion data were tracked. The local Boston affiliate secured similar contract commitments but also included the establishment of a citywide task force to set benchmarks and a diversity committee at each hotel to assess progress. In both Chicago and Boston, hiring and promotion data was made public—a practice proven to significantly reduce discriminatory practices.

Pay audits are another tool that helps to reduce discrimination and its effects on food insecurity. Several states have conducted gender pay audits, which pinpoint the steepest pay gaps between men and women and have used this data to develop plans for state officials seeking to eliminate the pay gap.

Discrimination helps explain why women and people of color are overrepresented in low-paid jobs, contributing to far greater risk of hunger and poverty.

Marlysa D. Gamblin is domestic advisor for policy and programs, specific populations, with Bread for the World Institute.