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BUILDING 65 MILLION GOOD JOBS

The Geography of Low-Paid Service Class Jobs and How to Begin to Upgrade Them

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The Geography of Low-Paid Service Class Jobs and How to Begin to Upgrade Them

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Executive Summary

This report takes a deep dive into America's Service Class. The Service Class includes 65 million workers who toil in precarious, low-skill, low-pay jobs in fields like Food Preparation and Service, Retail Trade, Personal Care, and Clerical and Administrative positions.

Our research outlines the dramatic growth of the Service Class, documents the low wages paid to Service Class workers, and charts the large share of women and minorities that make up Service Class workers.

Key findings from this research include:

- Service Class jobs are the largest segment of the U.S. workforce, employing 65 million Americans, nearly half of all workers.
- The members of the Service Class toil in low-paid jobs, making slightly more than $32,000 on average, while positions in Food Service and Personal Care professions, in which more than 15 million Americans work, pay even less, roughly $25,000. This is less than half of what the average Creative Class worker earns and 30 percent less than members of the blue-collar Working Class.
- Service Class jobs not only pay less than other jobs, Service Class workers in expensive states and metros end up with far less money left over after paying for their housing.
- The Service Class is disproportionately made up of women who hold more than six in 10 of all low-wage Service jobs.
- There are also much higher concentrations of minorities in the Service Class, particularly Black- and Hispanic-Americans who hold 15 and 16 percent of Service Class jobs respectively.

The report outlines a set of strategies for upgrading Service Class jobs. The best and most competitive companies pay workers more, treat them well, and involve them in productivity enhancement and better customer service. This strategy combines operational excellence with an investment in workers themselves. Through higher pay and greater engagement, companies are able to tap into the productivity and innovation of workers as a source of improved productivity, creating greater profits. If we are to overcome our economic divides and rebuild the middle class, it is imperative that we upgrade the 65 million low wage Service Class jobs we have.

Introduction

Capitalism is in the throes of an epochal transformation from an older industrial-based system to a newer knowledge-based economic model. As this shift occurs, the class structure of modern society is also changing. Today, society is made up of three main classes or types of workers: the declining blue-collar Working Class, the rising Creative Class of knowledge workers, professionals, and artists, and the even larger Service Class, which is the focus of this report.

The Working Class, the dominant class for much of the 20th century, has been in decline for quite some time. Today, the blue-collar workers in manufacturing, construction, and transportation jobs who make up the Working Class account for just slightly more than 20 percent of the labor force. Meanwhile, the Creative Class, highly paid knowledge workers and professionals working in science and technology; business and management; healthcare, law, and education; and arts, culture, design, and media and entertainment, has grown to roughly 40 million workers, roughly a third of the labor force.[1]

But, the Service Class is by far the biggest class. Numbering some 65 million workers, it comprises almost half of the U.S. labor force. Its members toil in low-paying, low-skill, routine jobs in Food Preparation and Service, Retail Trade, Personal Care, Clerical and

Administrative positions, and more. These jobs pay just $32,272 a year (less than half of the $75,759 that members of the Creative Class earn), are less secure, and have higher concentrations of women, minorities, and younger workers. The Service Class also includes many of the fastest growing occupations.[2]

The fading of blue-collar jobs and the splitting of the labor force into a minority of high-paying Creative Class jobs and an even larger number of low-paying, precarious Service Class jobs is behind the decline of the American middle class. Between 1970 and 2012, the share of American families living in middle income neighborhoods fell from 65 percent to 40 percent.[3] The result is that the United States economy has transformed into a caste-like dual economy, according to MIT economist Peter Temin, with little mobility between the two.[4]

Any effort to overcome this divide, to create better jobs, and rebuild the American middle class must put upgrading Service Class jobs at its very center.[5] Yet, there has been a stunning lack of research, commentary, and conversation on how to do this. This report is intended to fill that gap. It takes a detailed look at the make-up and geography of the Service Class, identifyies the kinds of Service Class jobs that are most amenable to upgrading, and outlines a broad strategy for improving Service Class work.

The rest of this report is organized as follows. The first section outlines the dramatic growth of the Service Class over the course of the 20th and 21st centuries. The second section documents the low wages paid for Service Class work and charts the large share of women and minorities that make up the Service Class. The third section turns to the geography of the Service Class, tracing its relative size and wages across the 50 states and all 350-plus metropolitan regions. The fourth section looks at the main occupational clusters of Service Class work and their wages, and identifies the types of Service Class work and jobs that are most amenable to upgrading. The upgrading strategy it outlines is based on the previous upgrading of manufacturing work and research on Service Class jobs themselves. The Appendix provides greater detail on our data sources, variables, and methodology.

1. Rise of the Service Class

The Service Class is the largest class of all. *Exhibit 1* shows the growth of the Service Class relative to the other two main classes, the Working Class and the knowledge-based Creative Class, from 1900 to 2010. Over this period, the Working Class declined from more than half to roughly a fifth of the labor force. The Creative Class grew from around 10 percent of the labor force to about a third. But, the Service Class has shot up from roughly 20 percent of the labor force to almost half, making it by far the largest class in America.

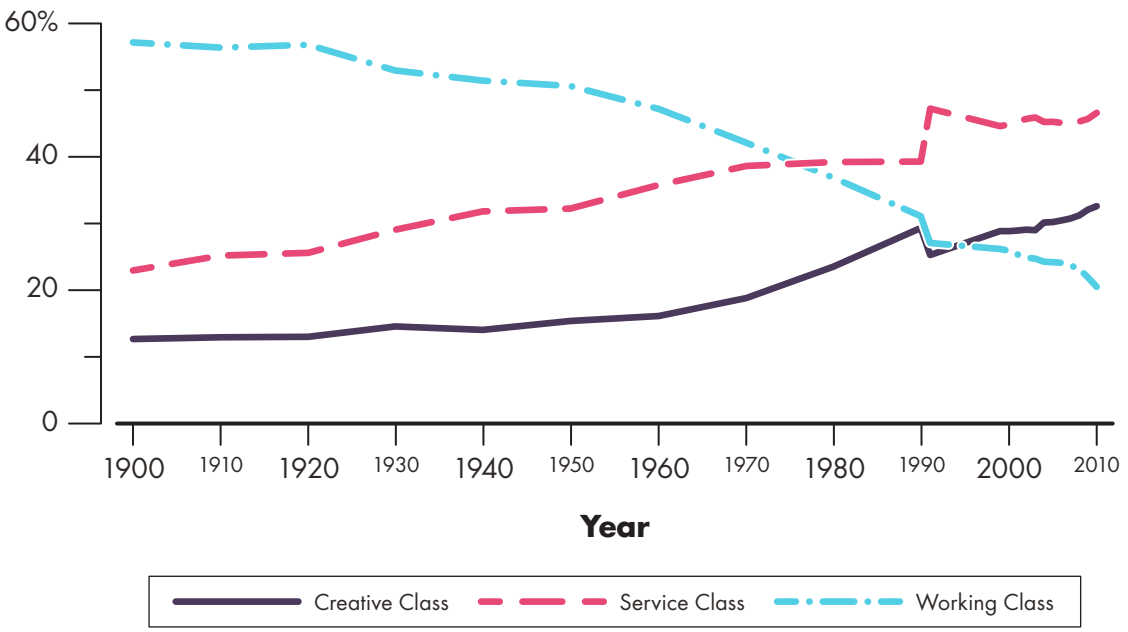

Exhibit 1: America's Changing Class Structure, 1900 to 2010
Source: U.S. Bureau of Labor Statistics, Occupational Employment Statistics, various years.

Today, Service Class work employs almost 65 million Americans. It is by far the largest occupational group in the country, nearly 20 percent larger than the Creative Class and nearly 30 percent larger than the Working Class.

As *Exhibit 2* shows, the Service Class is the most poorly paid class by far. Members of the Service Class make just $32,272 on average, less than half the $75,759 average for Creative Class workers and 30 percent less than the $46,440 average for the all workers.

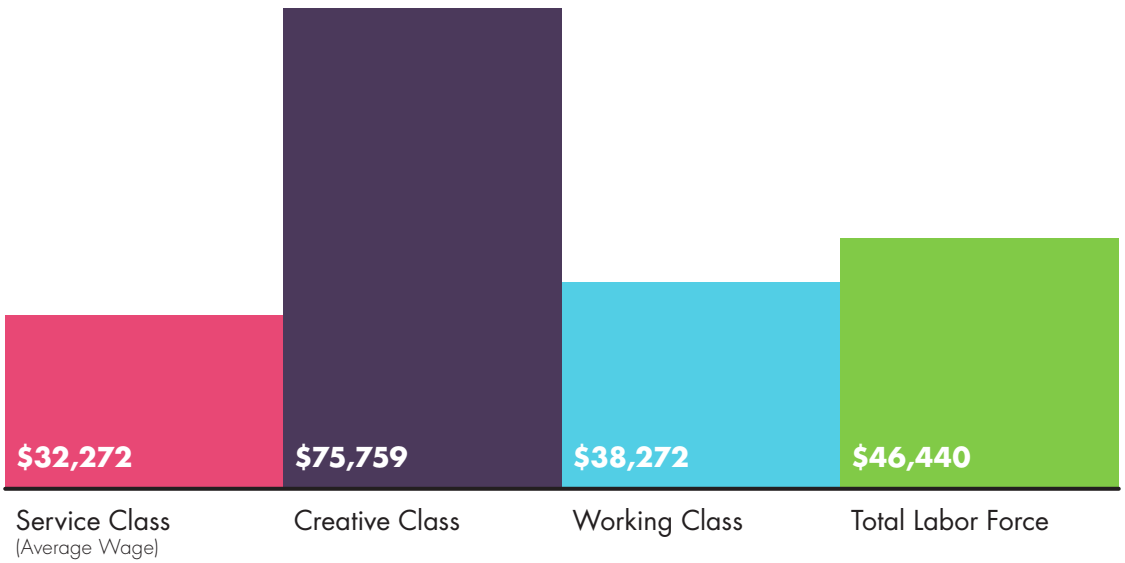

Exhibit 2: Average Wage by Class, 2013
Source: U.S. Bureau of Labor Statistics, Occupational Employment Statistics, May 2013.

The wages of the Service Class have eroded over the past decade, as *Exhibit 3* shows. In 2003, Service Class workers made roughly three-quarters of the average annual wage for all U.S. workers. By 2013, however, this had declined to less than 70 percent. The same pattern comes through when we look at the ratio of Service Class to Creative Class wages. The members of the Service Class earned 45 percent of Creative Class wages in 2003, a figure which had declined to 43 percent by 2013.

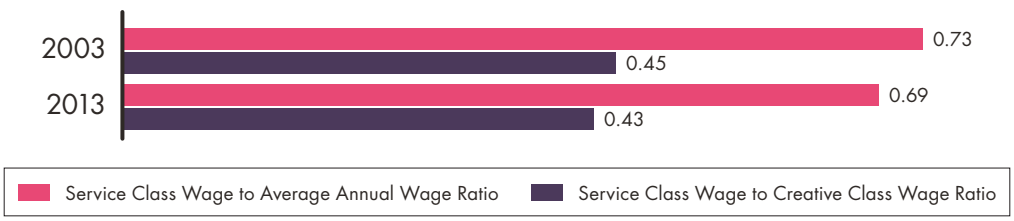

Exhibit 3: Service Class Wage Ratios for 2003 and 2013
Source: U.S. Bureau of Labor Statistics, Occupational Employment Statistics, 2003, 2013.

Service Class jobs have long been thought of as "women's work." Indeed, women hold more than six in 10 Service Class jobs. And, roughly 60 percent of women (58.1 percent) in the labor force do service class work compared to just 36.8 percent of men. More troublingly, women in Service Class jobs make considerably less than men, averaging $20,572 for Service Class work compared to $31,756 for men (*see Exhibit 4*).

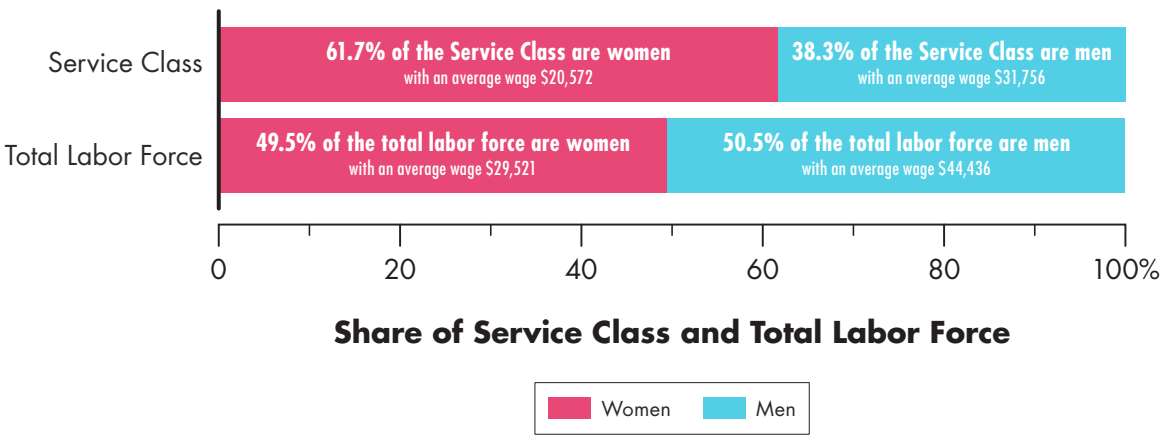

Exhibit 4: The Service Class by Gender
Source: U.S. Census, American Community Survey PUMS, 2008–2012.

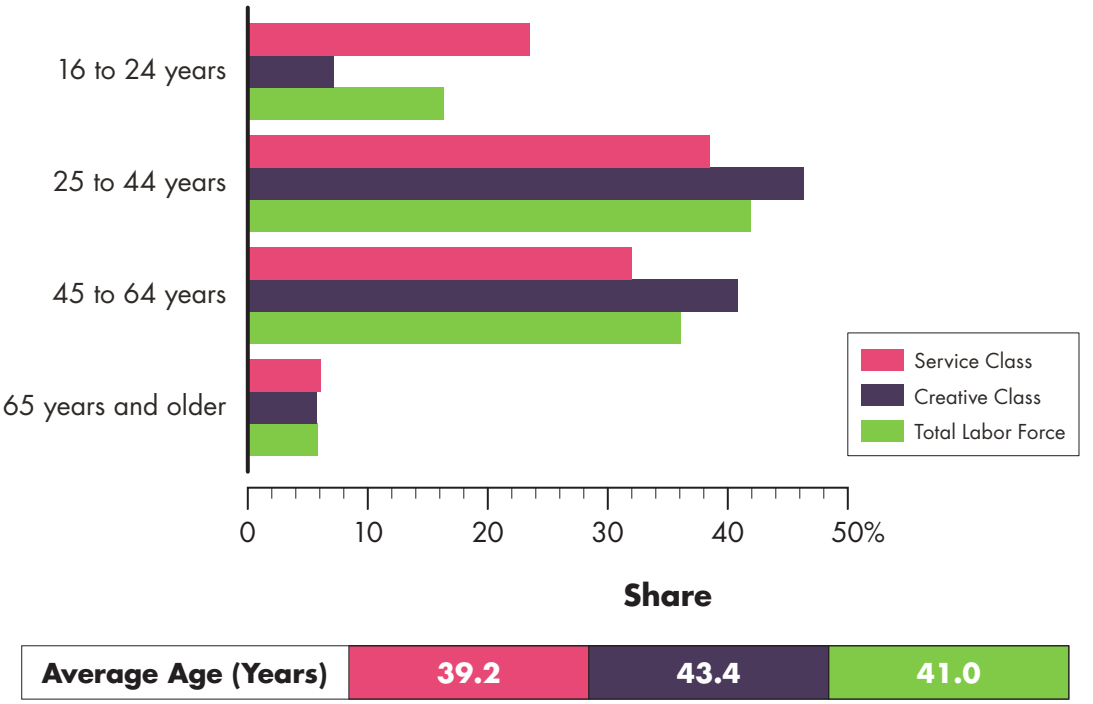

Exhibit 5: The Service Class by Age
Source: U.S. Census, American Community Survey PUMS, 2008–2012.

Service Class workers are also slightly younger than the typical American worker, averaging 39.2 years of age compared 41 years for all workers (*see Exhibit 5*). Workers between the ages of 16 and 24 make up roughly a quarter (23.5 percent) of all Service Class jobs, 7.2 percent higher than for all jobs, and three times greater than for the Creative Class. This reflects the lower educational requirements for Service Class work, and is a telling statement on the kinds of jobs available to less educated and younger Americans.

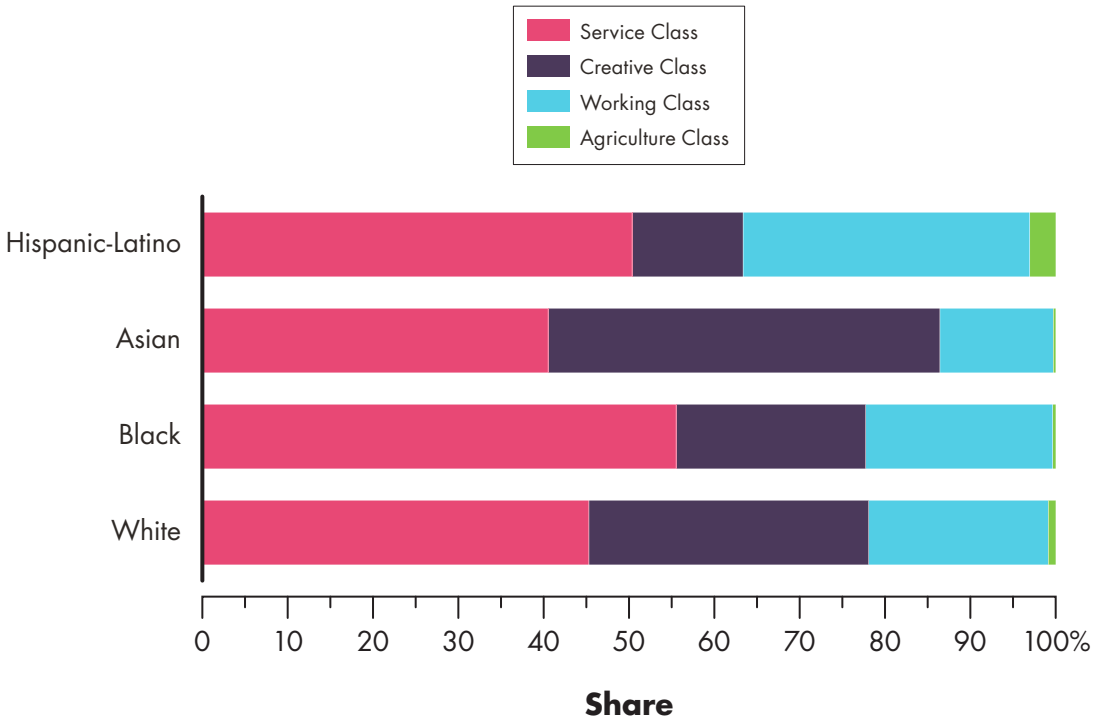

Exhibit 6: Class Composition by Race
Note: The Census notes that the vast majority of people who identify as "some other race" are Hispanic or Latino.
Source: U.S. Census, American Community Survey PUMS, 2008–2012

The Service Class also has greater concentration of minorities, particularly Black and Hispanic-Latino workers (*Exhibit 6*). More than half of Black (55.5 percent) and Hispanic (50.3 percent) workers do Service Class jobs compared to 45.3 percent of Whites and 40.5 percent of Asians. African-American and Hispanic-Latino workers are disproportionately under-represented in high-paying Creative Class jobs, with just 22 percent of Black workers and an estimated 13 percent of Hispanic-Latino or other race workers holding Creative Class jobs compared to a third of White workers (32.8 percent) and almost half (45.9 percent) of Asian workers.

Major Occupational Subgroups	Number of Workers (Millions)	Share of Labor Force*	Share of Class	Average Wage	Ratio to National Wage	Ratio to Average Service Class Wage	Share of Women
Office and Administrative Support	21.4	16.2%	33.1%	$34,900	0.75	1.08	73.2%
Sales and Related	14.1	10.6%	21.7%	$38,200	0.82	1.18	55.1%
Food Preparation and Service	11.9	9.0%	18.4%	$21,580	0.46	0.67	56.7%
Building and Grounds Cleaning	4.9	3.2%	6.6%	$26,010	0.56	0.81	38.5%
Personal Care and Service	4.0	3.0%	6.2%	$24,710	0.53	0.77	75.5%
Healthcare Support	3.9	3.0%	6.1%	$28,300	0.61	0.88	88.0%
Protective Service	3.3	2.5%	5.0%	$43,510	0.94	1.35	23.9%
Community and Social Service	1.9	1.4%	2.9%	$44,710	0.96	1.39	62.9%

Exhibit 7: Major Service Class Occupations
*The total U.S. labor force is made up of 132.6 million workers
Source: U.S. Bureau of Labor Statistics, Occupational Employment Statistics May 2013; U.S. Census, American Community Survey PUMS, 2008–2012.

We now take an even closer look inside the Service Class, focusing on the size, gender composition, and wages of the eight major occupational clusters or groups that make up the Class (*see Exhibit 7*).

Office and Administrative Support: There are 21 million Office and Administrative workers, the largest cluster of Service Class jobs. These workers include bill collectors, accountants, bookkeepers, customer service representatives, receptionists, and bank tellers. All told, Office and Administrative Workers make up a third of the Service Class and 16.2 percent of the entire United States labor force. Women make up nearly three-quarters of this occupational cluster. Workers in this cluster earn slightly more than the Service Class as a whole ($34,900) but this amounts to just three-quarters of the prevailing national average wage.

Retail Sales and Other Sales and Related Occupations: Fourteen million Americans work in Sales and Related Occupations, which include retail sales workers, cashiers, advertising, insurance, and financial services agents, travel agents, real estate brokers and agents, sales representatives, and telemarketers. These occupations account for roughly a fifth of the Service Class and 10 percent of the United States labor force. The largest segment of this group, 4.2 million workers, a third of this entire occupational group, is made up of low-wage retail sales workers in grocery stores, clothing stores, department

stores, and other retail shops.[6] Women make up 55 percent of workers in this occupational cluster. Workers in this cluster average $38,200 — slightly more than for the Service Class as a whole, but just 82 percent of the average national wage.

Food Preparation and Service: Another 12 million Americans work in Food Preparation and Service occupations, including chefs, food prep workers, servers, fast food and short order cooks, bartenders, waiters and waitresses, and dishwashers. This cluster makes up almost a fifth of the Service Class and less than a 10th of the United States labor force. Food Preparation and Service workers are the lowest paid of all Service Class workers, earning an average of $21,580 annually — just two-thirds of the average Service Class wage and less than half of the national average.

Building and Grounds Keeping: Five million Americans work in Building and Grounds Cleaning and Maintenance occupations, a cluster which includes janitors, housekeepers, maids, landscapers, and groundskeepers. These occupations make up 6.6 percent of the Service Class and 3 percent of the United States labor force. These workers average $26,010 a year, roughly 80 percent of the average Service Class salary and just 56 percent of the average wage across the nation.

Personal Care and Service: Four million Americans are employed in Personal Care and Service occupations which include barbers, hairdressers, cosmetologists, childcare workers, fitness trainers and instructors, manicurists and pedicurists, personal care aides, recreation workers, skincare specialists, animal care workers, funeral service workers, and gaming workers. This cluster of occupations makes up 6 percent of the Service Class and 3 percent of the United States labor force. Women make up nearly 60 percent of this occupational group. Personal Care and Service workers average $24,710 per year, 77 percent of the average Service Class wage and just 53 percent of the average national wage.

Healthcare Support: Four million Americans work in Healthcare Support Occupations, which include home health aides, psychiatric assistants, nursing assistants, orderlies, occupational therapy assistants, massage therapists, dental and medical assistants, veterinary assistants, and lab animal caretakers. This subgroup represents 6 percent of all Service Class workers and 3 percent of the entire labor force. Women make up nearly 90 percent of this cluster. Health Care Support workers average of $28,300 each year, 88 percent of the average Service Class worker, and 61 percent of the average wage across the nation.

Protective Service: Another 3.2 million Americans work in Protective Service Occupations, which include correctional officers, police, detectives, firefighters, bailiffs, fish and game wardens, parking enforcement workers, transit and rail police, animal control workers, security guards, crossing guards, lifeguards and other recreational protective service workers. Workers in this cluster make up 5 percent of the Service Class and 2.5 percent of the American labor force. They are among the higher paid Service Class workers, taking home an average of $43,510 annually, 35 percent more than the average Service Class worker and 94 percent of the national average wage. This likely reflects the fact that many of these occupations, such as police and fire-fighters, are male-dominated and unionized. Indeed, men make up more than three-quarters of this occupational cluster.

Community and Social Service Occupations: Two million Americans work in Community and Social Service occupations, including substance

abuse counselors, marriage and family counselors, social and healthcare workers, probation officers, community health workers, and members of the clergy. These occupations make up 3 percent of the Service Class and 1.4 percent of the American labor force. These are the highest paid Service Class occupations, averaging $44,710 a year, 39 percent more than the average service worker and 96 percent of the average annual wage. Women make up more than 60 percent of these occupations.

3. The Where of the Service Class

We now turn to the geography of the Service Class. Below, we map the Service Class across the 50 states and then turn to its geography across all of America's 350-plus metro areas. On the maps, dark purple reflects higher shares of Service Class work while light blue indicates lower shares.

We begin with the geography of the overall Service Class across the 50 states (*Exhibit 8 and Exhibit 9 on page 19*).

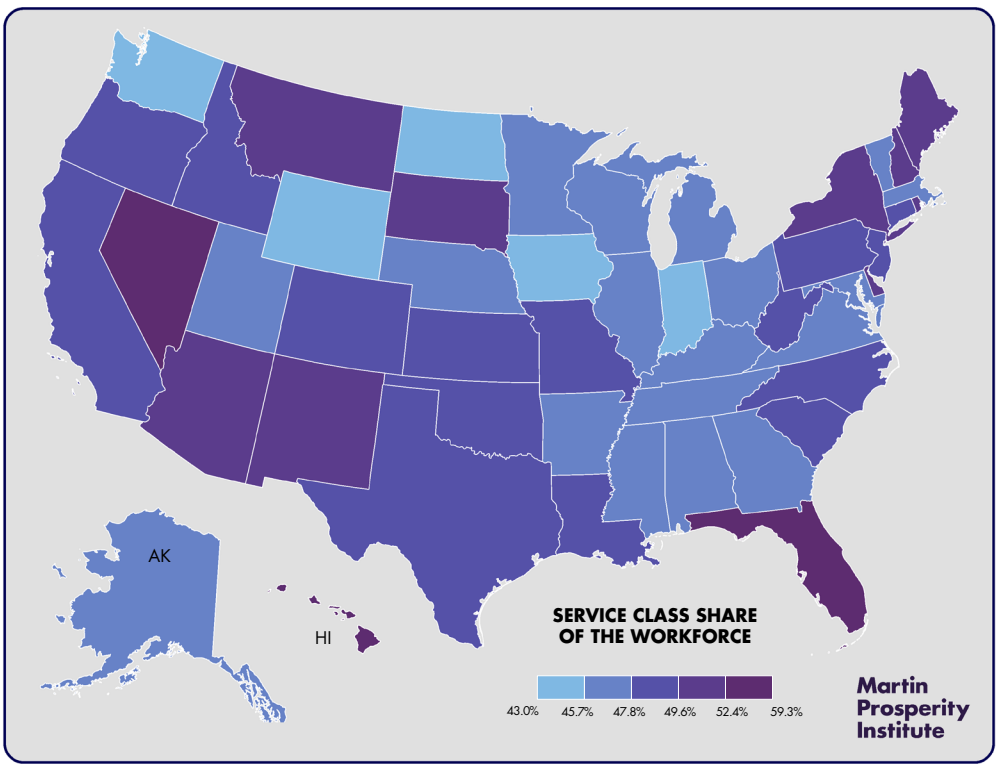

Exhibit 8: The Service Class Share of the Labor Force by State
Source: U.S. Bureau of Labor Statistics, Occupational Employment Statistics, May 2013.

Rank	State	Share of Labor Force
1	Nevada	59.3%
2	Florida	55.7%
3	Hawaii	55.2%
4	New York	52.4%
5	Arizona	51.8%
6	Rhode Island	51.5%
7	Montana	51.0%
8	New Hampshire	50.7%
9	South Dakota	50.6%
10	New Mexico	50.5%
41	Alaska	46.7%
42	Arkansas	46.6%
43	Kentucky	46.4%
44	Vermont	46.4%
45	Alabama	46.3%
46	Washington	45.7%
47	Iowa	45.2%
48	Indiana	45.1%
49	North Dakota	44.5%
50	Wyoming	43.0%

Exhibit 9: States with the Highest and Lowest Shares of the Service Class
Source: U.S. Bureau of Labor Statistics, Occupational Employment Statistics, May 2013.

The Service Class makes up the largest share of the labor force in Nevada, Florida, and Hawaii, three states with large tourism economies. New York is fourth and Arizona fifth. The Service Class makes up more than half of the labor force in 12 states. The states where the Service Class makes up the smallest share of the labor force are mainly in the Midwest and the Plains: Wyoming, North Dakota, Indiana, and Iowa.

We now look at the share of the Service Class across all 350-plus United States metros (*see Exhibit 10 and Exhibit 11 on page 21*).

Las Vegas tops the list of large metros followed by two Florida metros: Orlando and Miami. San Antonio is fourth and another Florida metro, Tampa, is fifth. There are four Florida metros in the top 10. All in all, the Service Class makes up more than half of the labor force in 155 metros. San Jose has the lowest share of Service Class jobs, followed by Washington, D.C., and Seattle.

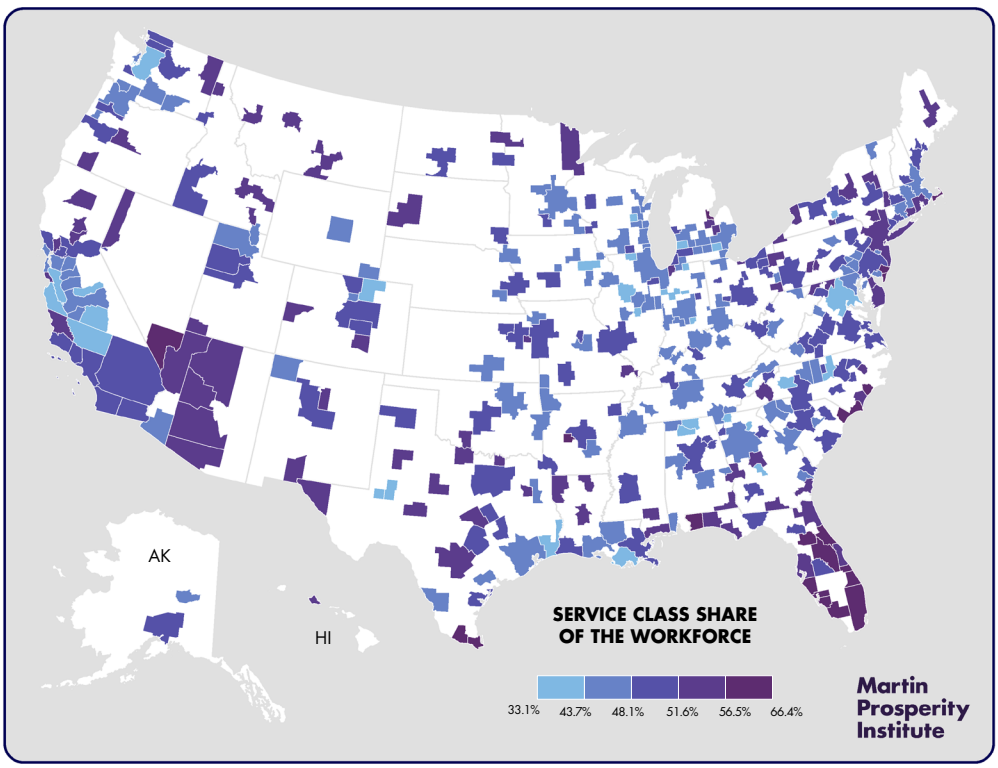

Exhibit 10: The Service Class Across Metros
Source: U.S. Bureau of Labor Statistics, Occupational Employment Statistics, May 2013.

Rank	Metro	Share of Labor Force
1	Las Vegas-Paradise, NV	62.3%
2	Orlando-Kissimmee-Sanford, FL	57.7%
3	Miami-Fort Lauderdale-Miami Beach, FL	57.4%
4	San Antonio-New Braunfels, TX	54.2%
5	Tampa-St. Petersburg-Clearwater, FL	53.3%
6	Jacksonville, FL	52.6%
7	Buffalo-Niagara Falls, NY	52.3%
8	Providence-Fall River-Warwick, RI-MA	51.9%
9	New York-Northern New Jersey-Long Island, NY-NJ-PA	51.7%
10	Phoenix-Mesa-Glendale, AZ	51.7%
42	Detroit-Warren-Livonia, MI	46.8%
43	Louisville-Jefferson County, KY-IN	46.7%
44	Portland-Vancouver-Hillsboro, OR-WA	46.6%
45	Boston-Cambridge-Quincy, MA-NH	46.6%
46	Houston-Sugar Land-Baytown, TX	46.5%
47	Indianapolis-Carmel, IN	46.2%
48	Hartford-West Hartford-East Hartford, CT	45.9%
49	Seattle-Tacoma-Bellevue, WA	43.7%
50	Washington-Arlington-Alexandria, DC-VA-MD-WV	42.7%
51	San Jose-Sunnyvale-Santa Clara, CA	40.1%

Exhibit 11: Large Metros with the Highest and Lowest Shares of Service Class Jobs
Source: U.S. Bureau of Labor Statistics, Occupational Employment Statistics, May 2013.

3.1 The Geography of Service Class Wages

Next, we turn to Service Class wages (*see Exhibit 12 and Exhibit 13 on page 23*). Note the dark purple on the West Coast and in the Northeast, indicating the higher than average Service Class wages in many coastal states.

Four Northeastern states top the list for Service Class wages: New York has the highest Service Class wage, followed by Massachusetts, Connecticut, and New Jersey. On the West Coast, Alaska ranks sixth, followed by California and Washington. Conversely, the states with the lowest Service Class wages are mainly in Appalachia and the South: West Virginia, Mississippi, and Arkansas.

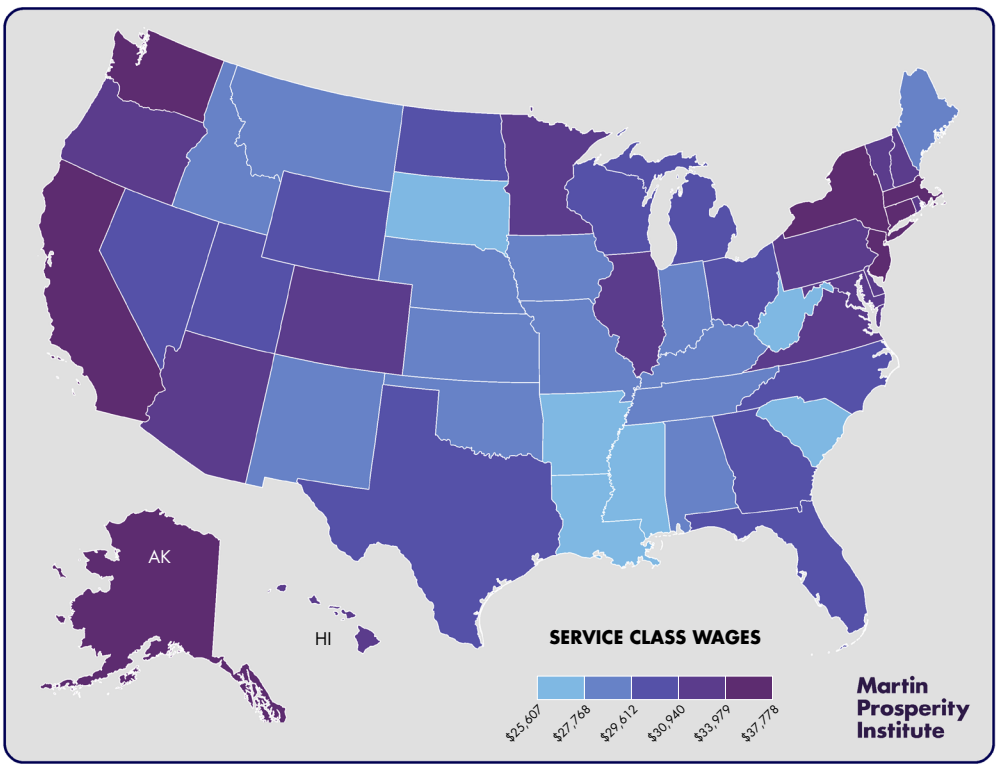

Exhibit 12: Service Class Wages by State
Source: U.S. Bureau of Labor Statistics, Occupational Employment Statistics, May 2013.

Rank	State	Service Class Wage	Ratio to National Service Class Wage
1	New York	$37,777	1.17
2	Massachusetts	$37,531	1.16
3	Connecticut	$37,517	1.16
4	New Jersey	$36,566	1.13
5	Alaska	$36,010	1.12
6	California	$35,756	1.11
7	Washington	$35,458	1.10
8	Maryland	$33,979	1.05
9	Rhode Island	$33,776	1.05
10	Colorado	$33,762	1.05
41	Oklahoma	$28,362	0.88
42	Alabama	$28,361	0.88
43	Kentucky	$28,252	0.88
44	New Mexico	$28,222	0.87
45	South Carolina	$27,768	0.86
46	Louisiana	$27,603	0.86
47	South Dakota	$27,259	0.84
48	Arkansas	$26,636	0.83
49	Mississippi	$26,177	0.81
50	West Virginia	$25,607	0.79

Exhibit 13: States with the Highest and Lowest Service Class Wages
Source: U.S. Bureau of Labor Statistics, Occupational Employment Statistics, May 2013.

We now turn to Service Class wages for United States metros (*see Exhibit 14 and Exhibit 15 on page 25*).

The metros with the highest Service Class wages are mainly large, expensive, high-wage metros on the East and West coasts. San Jose tops the list among large metros, followed by nearby San Francisco. New York is third, Boston fourth, and Seattle fifth. Almost all of the metros with the lowest Service Class wages are in the Sunbelt. Orlando has the lowest wages of large metros. But 155 smaller metros (with less than one million people) offer even lower wages.

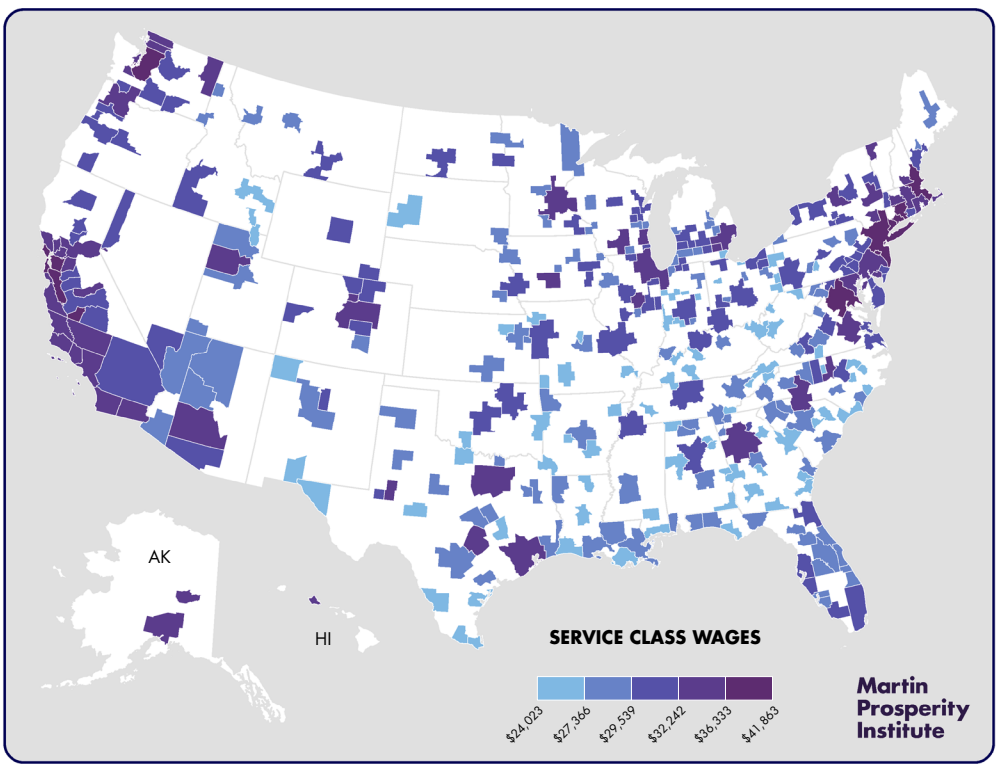

Exhibit 14: Service Class Wages for Metros
Source: U.S. Bureau of Labor Statistics, Occupational Employment Statistics, May 2013.

Rank	Metro	Average Service Class Wage	Ratio to State Service Class Wage	Ratio to National Service Class Wage
1	San Jose-Sunnyvale-Santa Clara, CA	$41,145	1.15	1.27
2	San Francisco-Oakland-Fremont, CA	$41,065	1.15	1.27
3	New York-Northern New Jersey-Long Island, NY-NJ-PA	$39,626	1.05	1.23
4	Boston-Cambridge-Quincy, MA-NH	$38,780	1.03	1.20
5	Seattle-Tacoma-Bellevue, WA	$37,599	1.06	1.17
6	Hartford-West Hartford-East Hartford, CT	$37,079	0.99	1.15
7	Washington-Arlington-Alexandria, DC-VA-MD-WV	$37,028	0.89	1.15
8	Denver-Aurora-Broomfield, CO	$35,553	1.05	1.10
9	Los Angeles-Long Beach-Santa Ana, CA	$35,534	0.99	1.10
10	Sacramento-Arden-Arcade-Roseville, CA	$35,339	0.99	1.10
42	Las Vegas-Paradise, NV	$30,951	1.00	0.96
43	Nashville-Davidson-Murfreesboro-Franklin, TN	$30,856	1.07	0.96
44	Memphis, TN-MS-AR	$30,451	1.05	0.94
45	Louisville-Jefferson County, KY-IN	$30,447	1.08	0.94
46	Jacksonville, FL	$30,343	1.00	0.94
47	Virginia Beach-Norfolk-Newport News, VA-NC	$29,793	0.92	0.92
48	Oklahoma City, OK	$29,719	1.05	0.92
49	New Orleans-Metairie-Kenner, LA	$29,316	1.06	0.91
50	San Antonio-New Braunfels, TX	$29,125	0.94	0.90
51	Orlando-Kissimmee-Sanford, FL	$28,725	0.95	0.89

Exhibit 15: Large Metros with the Highest and Lowest Service Class Wages
Source: U.S. Bureau of Labor Statistics, Occupational Employment Statistics, May 2013.

Exhibits 16 and *17 (see page 27)* takes another cut at this, mapping Service Class wages as a percentage of the average wage across the 50 states. The results here are interesting. Just because a state has a relatively high Service Class wage does not mean that these wages make up a large share of the state average.

The states where Service Class wages make up the highest share of average state wages include mainly lower-wage states like South Dakota, Florida, Vermont, Idaho, and Montana. Conversely, states where this ratio is lowest includes higher wage states like Maryland, Virginia, Massachusetts, Delaware, and California.

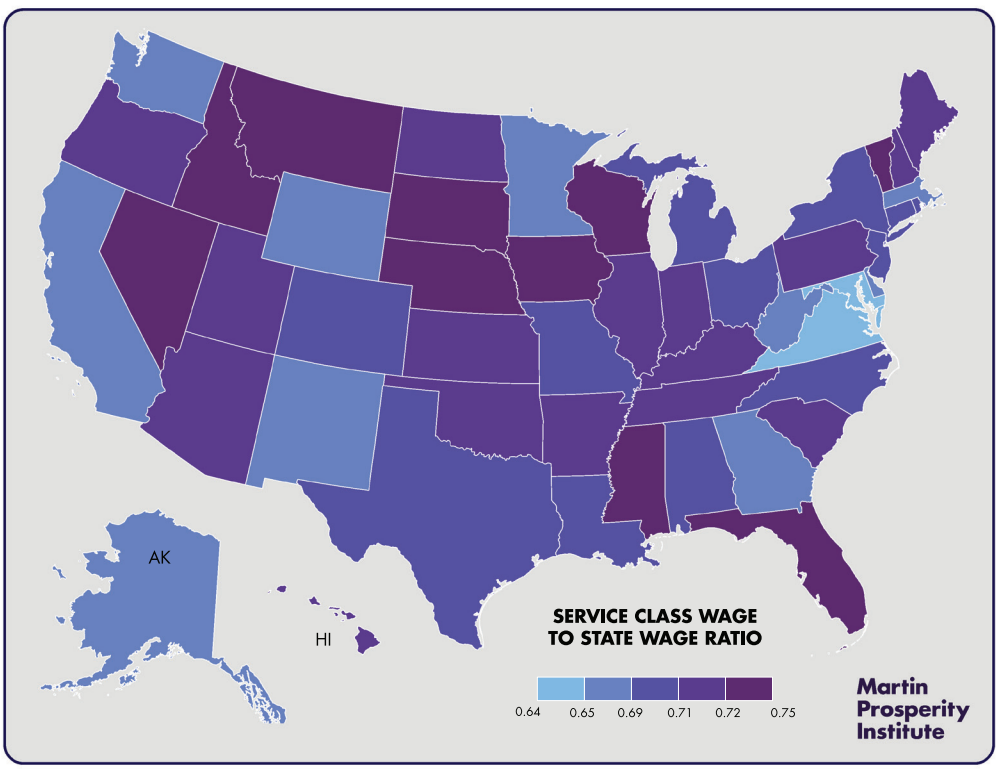

Exhibit 16: Service Class Wage to State Wage Ratio
Source: U.S. Bureau of Labor Statistics, Occupational Employment Statistics, May 2013.

Rank	State	Service Class Wage to Average State Wage Ratio
1	South Dakota	0.75
2	Florida	0.74
3	Vermont	0.73
4	Idaho	0.73
5	Montana	0.73
6	Nevada	0.73
7	Iowa	0.73
8	Nebraska	0.73
9	Mississippi	0.73
10	Wisconsin	0.73
41	Georgia	0.69
42	West Virginia	0.68
43	Washington	0.68
44	New Mexico	0.68
45	Alaska	0.68
46	California	0.67
47	Delaware	0.67
48	Massachusetts	0.67
49	Virginia	0.64
50	Maryland	0.64

Exhibit 17: States with the Highest and Lowest Service Class Wage to Average Wage Ratios
Source: U.S. Bureau of Labor Statistics, Occupational Employment Statistics, May 2013.

We now look at the ratio of the average Service Class wage to the overall average wage for metros (*see Exhibit 18 and Exhibit 19 on page 29*).

Again, the ratios are higher in lower wage metros. Miami has the highest ratio among large metros, but ranks 75th among all metros. Las Vegas, Tampa, and Orlando round out the top five. Seven of the top metros with the highest ratios among large metros are in the South. The metros with the lowest ratios tend to be higher wage tech and knowledge hubs like San Jose in the heart of Silicon Valley, Washington, D.C., San Francisco, Boston, and Baltimore.

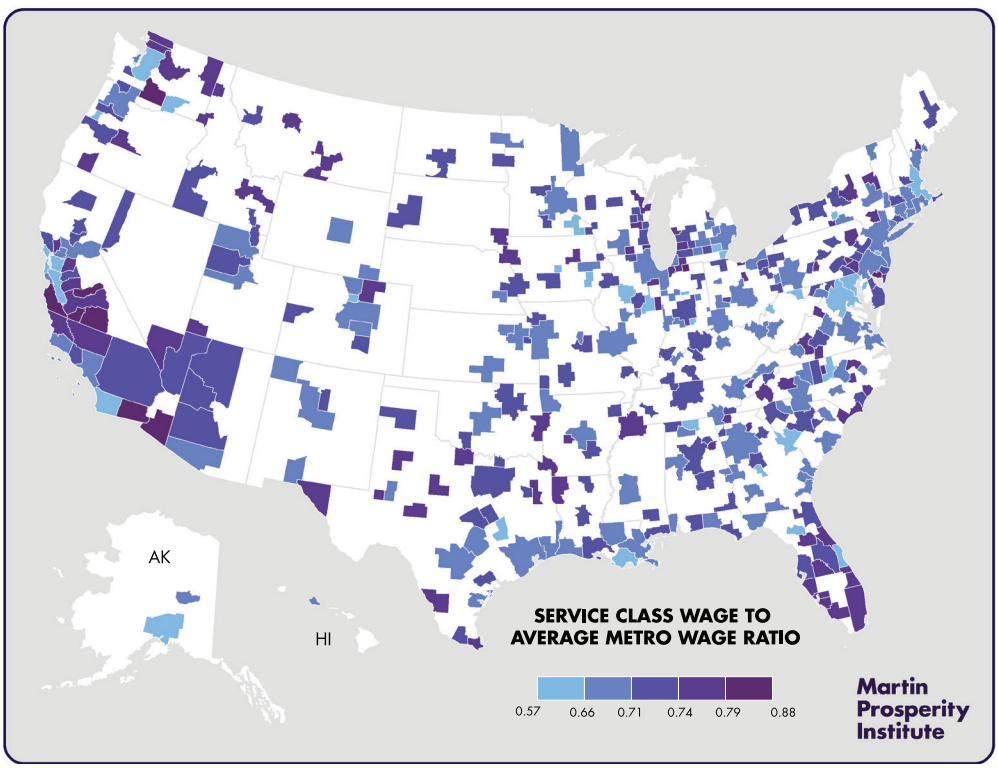

Exhibit 18: Service Class Wage to Average Metro Wage Ratio
Source: U.S. Bureau of Labor Statistics, Occupational Employment Statistics, May 2013.

Rank	Metro	Service Class Wage to Average Metro Wage Ratio
1	Miami-Fort Lauderdale-Miami Beach, FL	0.74
2	Las Vegas-Paradise, NV	0.74
3	Memphis, TN-MS-AR	0.74
4	Tampa-St. Petersburg-Clearwater, FL	0.73
5	Orlando-Kissimmee-Sanford, FL	0.73
6	Louisville-Jefferson County, KY-IN	0.72
7	Buffalo-Niagara Falls, NY	0.72
8	Birmingham-Hoover, AL	0.72
9	Salt Lake City, UT	0.72
10	Nashville-Davidson--Murfreesboro--Franklin, TN	0.72
42	Detroit-Warren-Livonia, MI	0.67
43	Atlanta-Sandy Springs-Marietta, GA	0.67
44	Houston-Sugar Land-Baytown, TX	0.66
45	San Diego-Carlsbad-San Marcos, CA	0.66
46	Seattle-Tacoma-Bellevue, WA	0.66
47	Baltimore-Towson, MD	0.66
48	Boston-Cambridge-Quincy, Mass.-N.H. Metropolitan NECTA	0.66
49	San Francisco-Oakland-Fremont, CA	0.65
50	Washington-Arlington-Alexandria, DC-VA-MD-WV	0.58
51	San Jose-Sunnyvale-Santa Clara, CA	0.57

Exhibit 19: Large Metros with the Highest and Lowest Service Class Wage to Average Wage Ratio
Source: U.S. Bureau of Labor Statistics, Occupational Employment Statistics, May 2013.

The general pattern here is that Service Class workers make relatively less compared to the average workers in higher wage states. Indeed, the correlation between Service Class wages and the ratio measure is negative (-0.62). This can be seen in the scatterplot in *Exhibit 20* which compares the average Service Class wage to the ratio of Service Class state wages to average wages for the fifty states. Note the downward sloping line which indicates a negative association. High wage states like Massachusetts, California, and Maryland are below the line; in these states, Service Class workers do relatively worse compared to the average worker. Lower wage states like Florida and South Dakota are well above the line; in these states, Service Class workers do relatively better compared to the average worker.

Exhibit 20: Service Class Wages to Average Wages for States
Source: U.S. Bureau of Labor Statistics, Occupational Employment Statistics, May 2013.

The same basic pattern holds for metros. Once again, Service Class workers make relatively less in metros where the average Service Class wage is higher. The correlation between Service Class wages and the ratio measure is -0.13 and weakly significant. This can be seen in the scatterplot (*Exhibit 21*) which charts the ratio of Service Class wages to metro wages against the average Service Class wages across metros. While the line slopes more gently downward, the overall pattern is similar: Service Class workers do comparably better in metros where they earn less and comparably worse in metros where their average wage is higher.

Exhibit 21: Service Class Wages to Average Wages for Metros
Source: U.S. Bureau of Labor Statistics, Occupational Employment Statistics, May 2013.

3.2 What's Left Over After Paying for Housing

Housing costs vary widely across states and metros, being much more expensive in superstar cities and knowledge hubs like New York, Los Angeles, the San Francisco Bay Area, Boston, and Washington, D.C. than in most other American metros.[7] While Service Class workers earn higher wages in these more expensive states and metros, they ultimately end up with less money in their pockets after paying for the higher housing costs in these places. Service Class wages are highly correlated with housing costs both across the 50 states (0.89) and in all 350-plus U.S. metros (0.82). This can be seen in the scatterplots below which plot Service Class wages before housing is paid for against median housing costs at both the state (*see Exhibit 22 on page 33*) and metro level (*see Exhibit 23 on page 33*). Note the steeply upward sloping line which indicates a strong, positive association and shows that the Service Class earns more money on average in expensive states and metros.

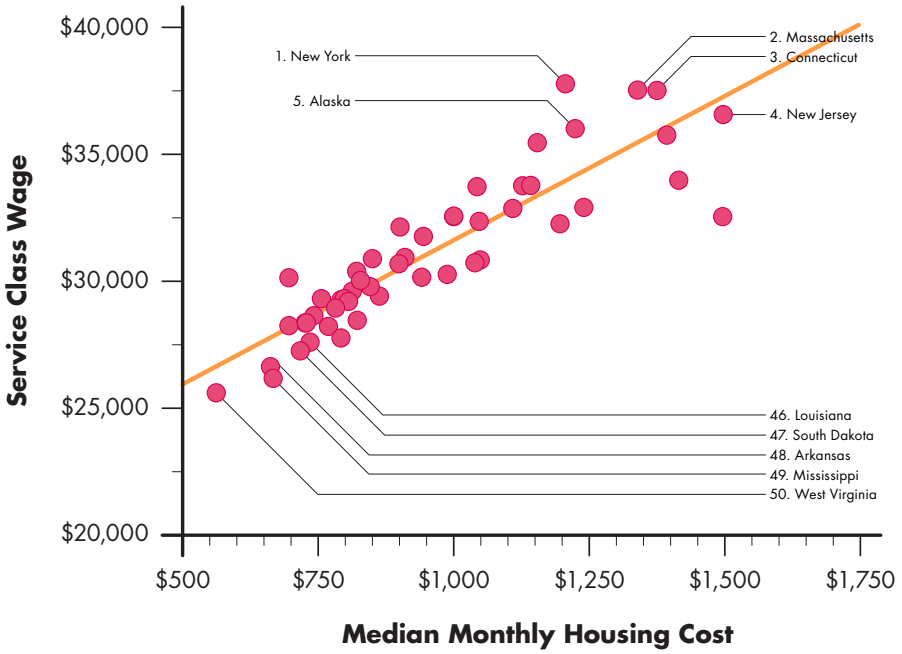

Exhibit 22: Service Class Wages and Housing Costs for States
Source: U.S. Bureau of Labor Statistics, Occupational Employment Statistics, May 2013.

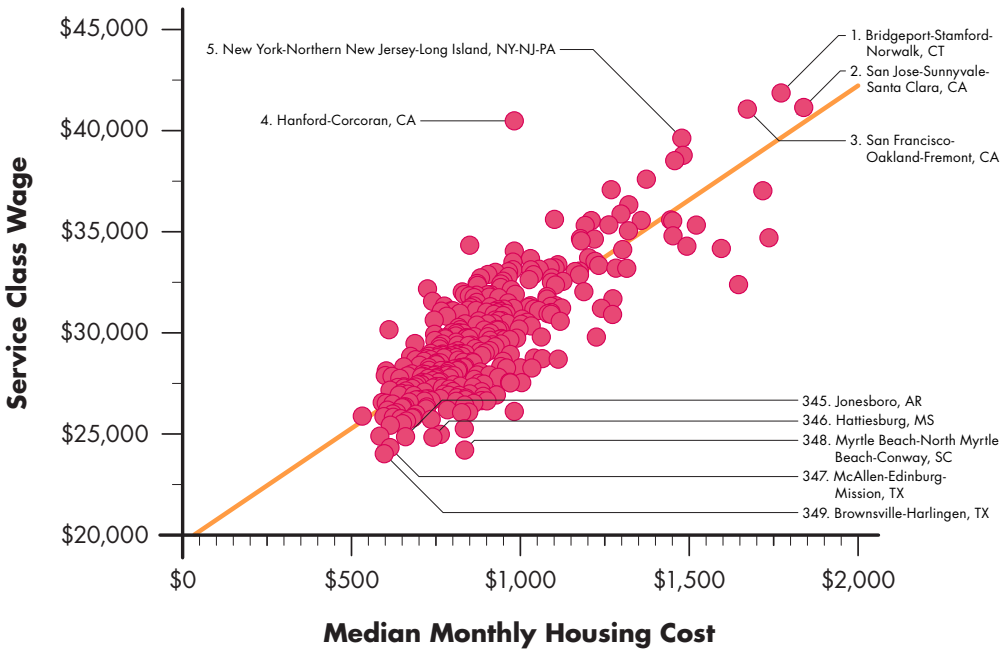

Exhibit 23: Service Class Wages and Housing Costs for Metros
Source: U.S. Bureau of Labor Statistics, Occupational Employment Statistics, May 2013.

But, look what happens when we zero in on what members of the Service Class have left-over after paying for their housing. Now we find that the members of the Service Class bear the brunt of higher housing costs in more expensive states and metros. Take a look at the pattern below for states. The first scatterplot (*Exhibit 24 on page 35*) compares the average wages of all workers to the amount of money they have left over after paying for housing at the state level. The line slopes steeply upward, again indicating a positive association, and indeed the correlation between the two is 0.57. But, the second scatterplot for Service Class workers (*Exhibit 25 on page 35*) is completely different. The line is almost flat, indicating no statistical association; indeed, the correlation is -0.11 and statistically insignificant. In other words, the relatively higher wages earned by Service Class workers in more expensive metros are totally eaten up by the higher housing costs in these places, a distinct contrast to the pattern for the average workers or workers overall.

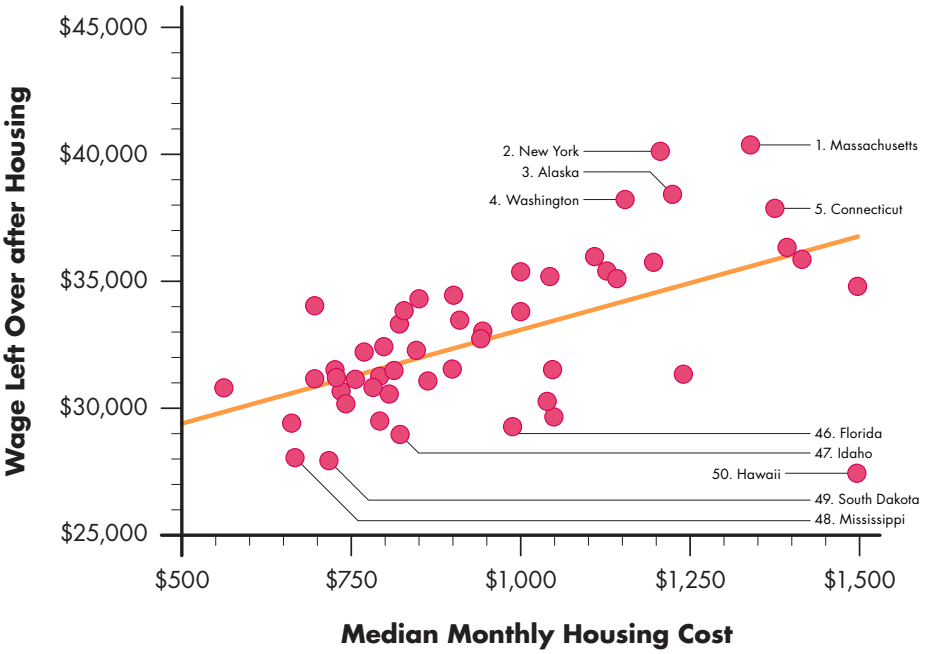

Exhibit 24: Money Left Over after Paying for Housing vs. Housing Costs for All Workers for States
Source: U.S. Bureau of Labor Statistics, Occupational Employment Statistics, May 2013.

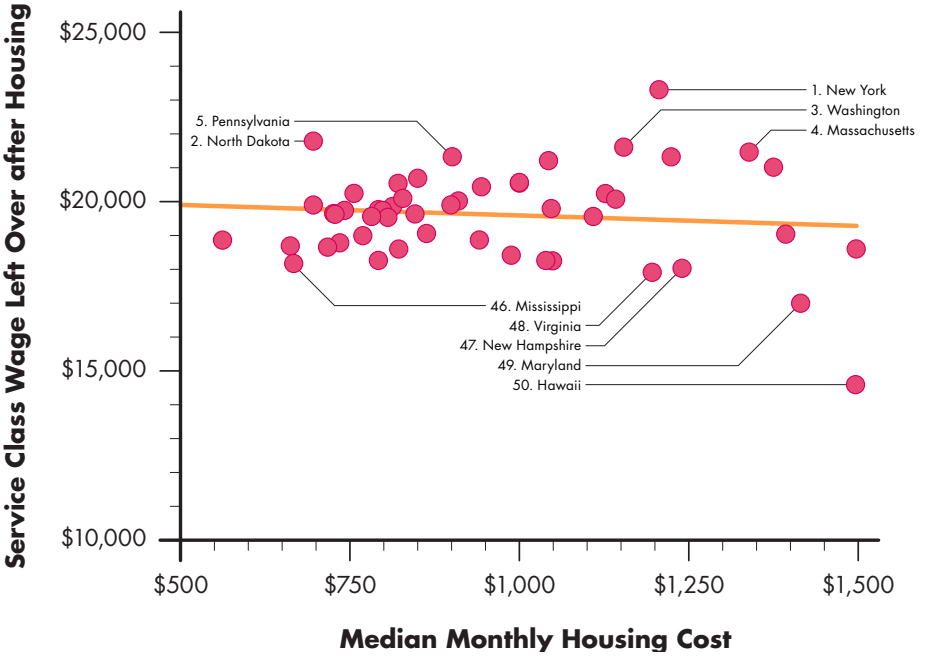

Exhibit 25: Service Class Money Left Over after Paying for Housing vs. Housing Costs for States
Source: U.S. Bureau of Labor Statistics, Occupational Employment Statistics, May 2013.

The same basic pattern holds for metro areas as well. The scatterplot in *Exhibit 26 (see page 37)* compares the average wages of all workers to the amount of money they have left over after paying for housing across all U.S. metros. Again, the line slopes steeply upward, indicating a positive association. The correlation for the two is 0.44, slightly less than for states, but still positive and statistically significant. But, the pattern changes when we look at Service Class workers. In the scatterplot in *Exhibit 27 (see page 37)* the line slopes modestly downward indicating a negative association. The correlation is indeed negative (-0.09), though it is not statistically significant.

In other words, even though the Service Class earns more money in more expensive states and metros, its members do not make enough to cover the extra cost of more expensive housing. Essentially, those higher wages are eaten up by more expensive housing costs.

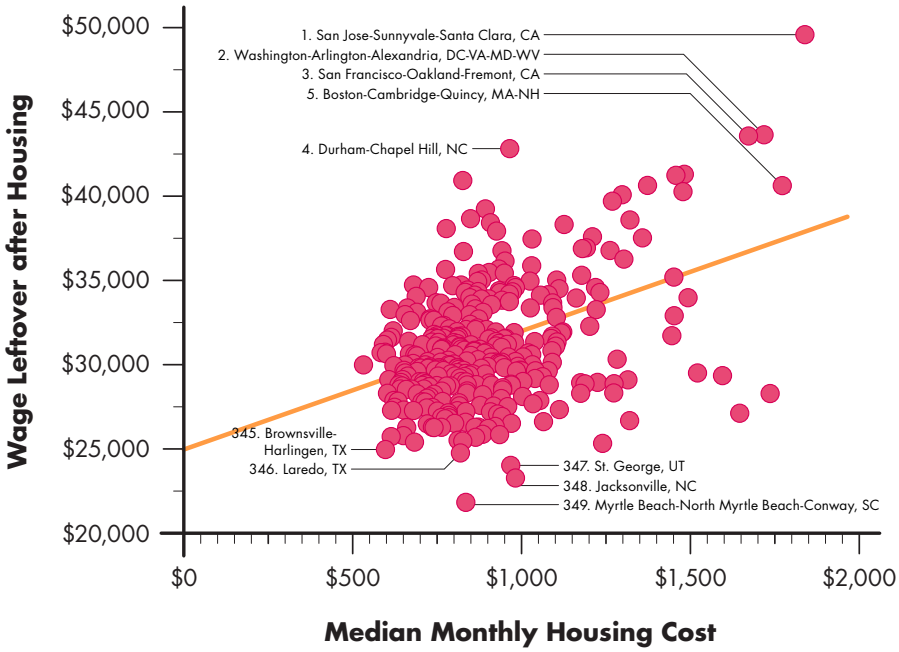

Exhibit 26: Money Left Over after Paying for Housing vs. Housing Costs for All Workers for Metros
Source: U.S. Bureau of Labor Statistics, Occupational Employment Statistics, May 2013.

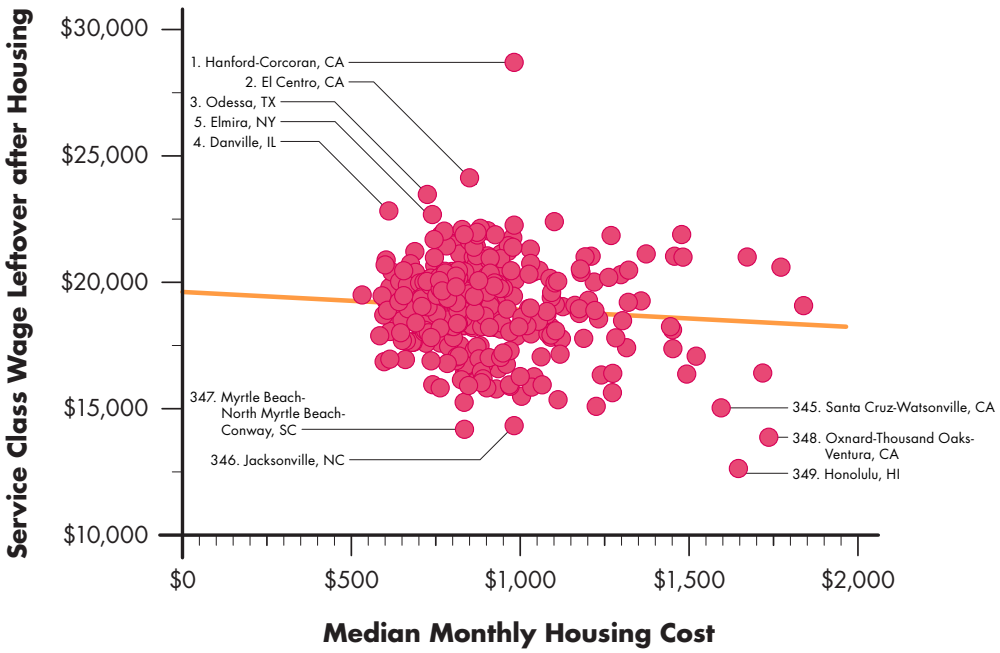

Exhibit 27: Service Class Money Left Over after Paying for Housing vs. Housing Costs for Metros
Source: U.S. Bureau of Labor Statistics, Occupational Employment Statistics, May 2013.

4. Upgrading Service Class Jobs

As this report has shown, Service Class jobs are the largest segment of the United States labor force, employing 65 million Americans, nearly half of all workers. Members of the Service Class toil in low paid jobs, making slightly more than $32,000 on average, while positions in Food Service and Personal Care, in which more than 15 million Americans work, pay even less, roughly $25,000. This is less than half of what the average Creative Class worker earns and 30 percent less than members of the blue-collar Working Class. Service Class jobs not only pay less than other jobs, Service Class workers in expensive states and metros end up with far less money left over after paying for their housing. The Service Class is disproportionately made up of women who hold more than six in 10 of all low-wage Service jobs. There are also much higher concentrations of minorities in the Service Class, particularly Black- and Hispanic-Americans.

Upgrading Service Class jobs is obviously key to any serious strategy for creating good jobs and rebuilding the middle class. But, it is a subject that has been largely neglected. Indeed, the conversation among economists, policy-makers, and pundits today about creating good jobs and rebuilding the middle class typically revolves around two strategies.

The first puts education front and center as the mechanism to improve the skills and earning power of more workers. This is a laudable goal. Workers with a college degree make more money, have higher incomes, and experience far shorter spells of unemployment than their less educated counterparts. But, by definition, there are not enough highly-skilled knowledge jobs to go around. As we have seen, knowledge, creative, and professional work makes up only about a third of all jobs. Although the share of these jobs is climbing, at the current rate of growth it would take roughly 25 years for there to be as many knowledge, professional, and Creative Class jobs as there are Service Class jobs.[8]

The second strategy is to try to bring more manufacturing jobs back to the United States. But, only about a fifth of Americans do blue-collar work, while just 6.6 percent work as production workers in actual factories, a figure that is projected to shrink over the next decade.[9] Even if we were able to bring large numbers of manufacturing jobs back and push that figure to just 10 percent, this would still be nowhere near enough to employ many of today's Service Class workers.

While some Service Class work, like cashiers, bank tellers, or office and administrative support, can be automated, most work in personal services by definition requires actual human beings to execute them. Tens of millions of Americans, the largest share of our labor force, will be employed in Service Class jobs for the foreseeable future.

The only way to create a large number of family-supporting jobs that will rebuild the middle class is by upgrading the millions of precarious, low-skill, and low-wage Service Class jobs we already have.

Given the wide variation in Service Class occupations, it's useful to ask which jobs offer the best possibilities for upgrading. To get at this, we look at the occupational groups of the Service Class that have the biggest gaps between higher- and lower-paid workers (*Exhibit 28*). For each of these occupational groups, we provide a 75–25 ratio that compares the difference or ratio of wages between jobs in the top quartile of wages with those in bottom quartile. Higher ratios may indicate a potentially better possibility for job upgrading. In addition, we list the ratio of wages of the highest quartile of workers to the average wage paid to all U.S. workers for each category. Here, ratios of less than one indicate Service Class occupational groups that pay less than the average overall wage for the top quartile of wage-earners, while ratios greater than one indicate Service Class occupational groups that pay more than the average United States wage for the top quartile of earners.

The Service Class occupations with biggest 75–25 ratio are Protective Services and Sales and Related occupations. These are both relatively high-paying occupations with ratios of 2.33 and 2.30 respectively, higher than for all Service Class occupations, but lower than for all American occupations. Workers in the top quartile of Protective Service occupations make more than the average American worker. Next in line, with a ratio of 1.81, are Community and Social Service workers, another relatively highly paid Service Class occupation, where workers in the top quartile of this occupation make more than the average worker, and Office and Administrative Support occupations with a ratio of 1.75. In these occupations, there are substantial number of jobs that already pay well and thus seem to provide opportunities for potential upgrading. Two other occupational groups, Building and Ground Cleaning and Maintenance, at 1.61, and Healthcare Support, at 1.57, have 75–25 ratios

Occupational Group	75–25 Wage Ratio	Bottom Quartile Wage	Top Quartile Wage	Average Wage	Ratio of Top Quartile Wage to U.S. Average Wage
Building and Grounds Cleaning and Maintenance	1.61	$18,800	$30,360	$26,010	0.65
Community and Social Service	1.81	$30,770	$55,660	$44,710	1.20
Food Preparation and Serving Related	1.33	$17,500	$23,270	$21,580	0.50
Healthcare Support	1.57	$21,170	$33,190	$28,300	0.71
Office and Administrative Support	1.75	$24,320	$42,570	$34,900	0.92
Personal Care and Service	1.51	$18,110	$27,370	$24,710	0.59
Protective Service	2.33	$24,390	$56,860	$43,510	1.22
Sales and Related	2.30	$18,960	$43,540	$38,200	0.94
All Service Class Jobs	1.61	$21,156	$38,022	$32,272	0.82
Creative Class Jobs	1.81	$46,536	$93,039	$75,759	2.00
Working Class Jobs	1.33	$25,162	$47,162	$38,272	1.02
All U.S. Occupations	1.57	$22,670	$56,860	$46,440	1.22

Exhibit 28: The 75–25 Ratio and the Top 75 Percent Ratio to the Average Wage Level for Service Class Occupational Groups
Source: U.S. Bureau Labor Statistics, Occupational Employment Statistics, May 2013.

near 1.6. These jobs are generally low-paying and would require across-the-board upgrading. The two occupations with the smallest ratios are Personal Care and Service with a ratio of 1.51, and Food Preparation and Service with a ratio of 1.33. Jobs in these occupational groups are generally low-paying across the board and perhaps require the most substantial and broadest level of upgrading. For all Service Class occupations, the 75–25 ratio is 1.61, which is higher than for Working Class (1.33) jobs, but lower than Creative Class (1.81) occupations.

Indeed, the wages of the top quartile of workers for most Service Class occupational groups are less than that of the average wage across all workers. The top quartile of Food Preparation and Service workers make half the average wage; the top quartile of Personal Care and Service workers make roughly 60 percent of the national average; the top quartile of Health Care Support workers and Building Maintenance and Grounds Cleaning workers make roughly 70 percent of the average wage paid to American workers. Together, these four occupational groups employ 24 million workers, nearly a fifth of the labor force. Only in Protective Service and Community and Social Services occupations do the top quartile of workers make more than the average national wage. Across the Service Class a whole, the top quartile of workers makes just 80 percent of the average national wage.

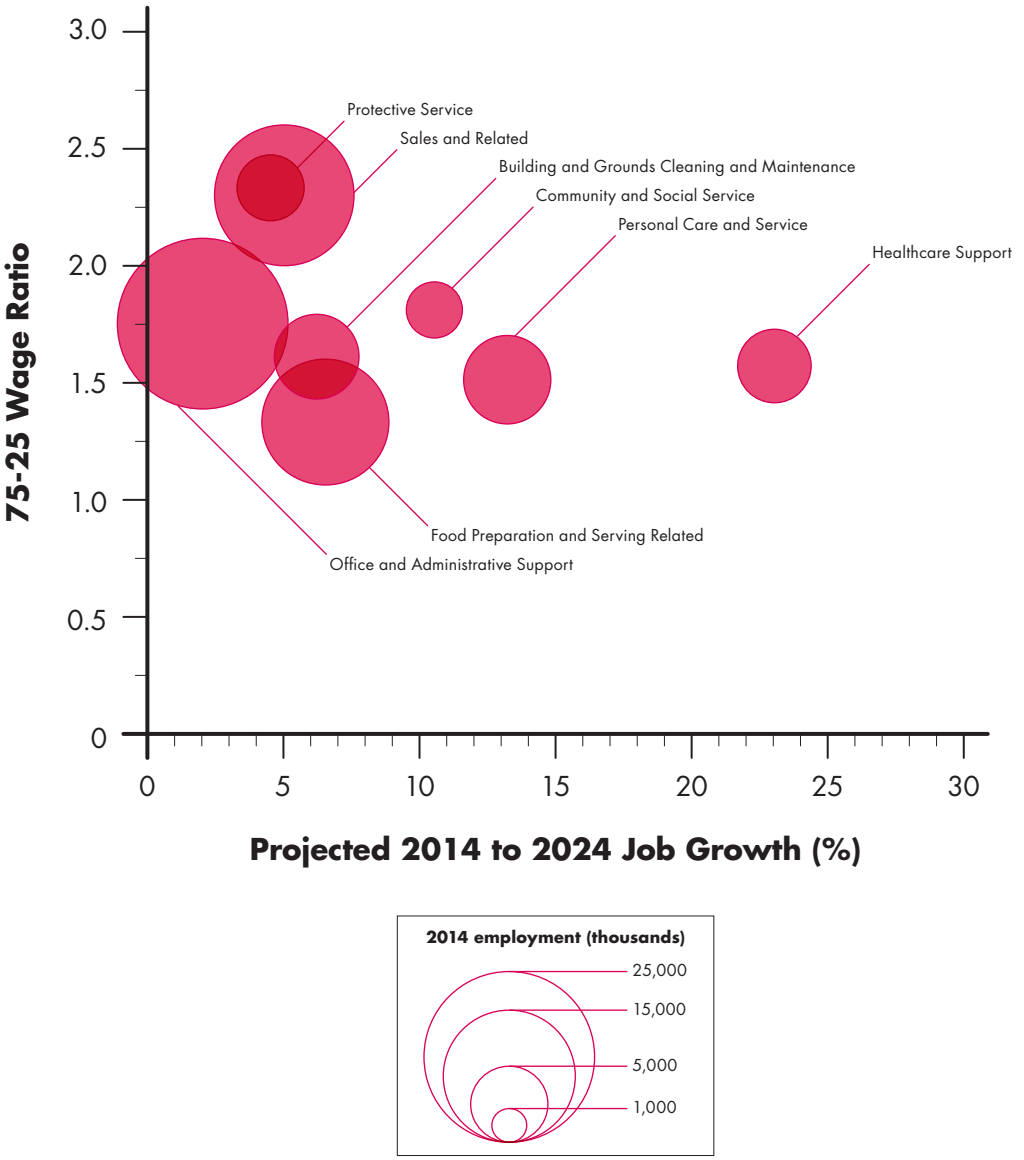

Exhibit 29: 75–25 Wage Ratio and Projected Job Growth
Source: U.S. Bureau Labor Statistics, Occupational Employment Statistics, May 2013; U.S. Bureau Labor Statistics, Employment Projections, Employment by major occupational group — Table 1.1.

Exhibit 29 shows Service Class occupations with the potential of upgrading compared to the projected growth of these occupations out to 2024. The size of the bubble indicates the total employment in these occupations. The bigger the bubble the bigger the likely impact of upgrading these occupations. Protective Service and Sales and Related occupations have high 75–25 wage ratios, but are small in size and are projected to have relatively slow growth. Healthcare Support occupations are projected to grow substantially, but their numbers remain relatively

small. Again, we see that upgrading low-skill, low wage occupations like Office and Administrative Support, Food Preparation and Service, and Personal Care and Service would have the broadest impact on actual workers.

While some commentators, as well as the conventional wisdom, continue to view Service Class work as by definition low-paid, low-skill work, there is a growing body of evidence that suggests Service work can, in fact, be upgraded. We forget that blue-collar manufacturing jobs were once also considered low-paying, low-skill work. From the dawn of the Industrial Revolution to the onset of the New Deal, most manufacturing workers toiled in horrific conditions for low wages, the kind of conditions Marx and Engels condemned and William Blake dubbed "satanic mills."[10] Laborers worked 10 or even 12 hours a days for subsistence wages. Families typically had to pool their wages across generations to make ends meet. But, with the onset of the Great Depression, industrialists like Henry Ford realized that paying workers higher wages could help spur demand. They introduced pay increases, like Ford's infamous $5-dollar working day. The burgeoning union movement brought additional pressure to improve conditions and pay blue-collar workers more. Franklin Roosevelt's New Deal introduced sweeping labor legislation like the Wagner Act, giving workers and their unions the right to organize and collectively bargain for better wages and working conditions.[11] These policy and institutional innovations combined with post-World War II economic growth to boost blue-collar wages. Along with broader productivity, they gave rise to what is now seen of as the great golden age of a well-paid, blue-collar labor force, an aspirational middle class, and the American Dream.

There is also substantial evidence that paying workers more and involving them centrally in efforts to innovate, spurring productivity, and enhancing quality at the point of production, can lead to higher productivity and profit for firms. The rise of lean management, pioneered by Japanese manufacturing corporations, is premised on the basic idea that paying workers well, engaging them in their jobs, and giving them responsibility for independent judgment and decision-making is a key source of productivity and innovation.[12] The renowned Toyota Production System operates on the belief that employee creativity results in higher quality and lower costs.[13] In fact, every one of Toyota's factory workers has the authority to shut down the plant's entire assembly line if they detect a problem that could be immediately resolved rather than repaired later on, after flawed vehicles have already been produced.

A good example of the benefits that can flow from upgrading Service Class jobs come from janitorial work. Janitors have typically been treated as low paid, unskilled workers. But janitors have detailed knowledge of the buildings they work in. They can identify windows that are left open, power that is left on, and take action to reduce waste and promote energy efficiency, if they are engaged and empowered to do so. Research on environmental improvements in factories finds that the biggest and most sustainable gains were more likely to come from empowered shop-floor work teams identifying incremental improvements to leaks and spills than from expensive end-of-pipe technology.[14]

The same kind of approach has proven viable in more traditional routine Service Class jobs as well. Work by MIT researcher and MPI fellow Zeynep Ton, a member of the same group of operations researchers that made the breakthrough in understanding lean production in factories, details the payoffs that come from upgrading Service jobs, involving service workers more centrally in their work and paying them more.[15] Her research finds that the best

and most competitive companies in this sector offer low prices and turn a profit because they pay workers more, treat them well, and involve them in productivity enhancement and better customer service. This "good jobs strategy" combines operational excellence with an investment in workers themselves.

Her research traces the success of this approach across several "model retailers"– the convenience store QuickTrip, supermarkets Trader Joe's and Whole Foods, and the members-only warehouse club Costco. Each of these companies pay workers more, offer long-term job security, and opportunities for internal promotion and career advancement as part of a broad strategy for getting more out their labor force. For example, anyone who has worked for Costco for more than two years cannot be fired without the approval of a senior company officer, and the warehouse retailer has a self-imposed internal hiring quota of 86 percent for top positions.

The result of this good jobs strategy is lower employee turnover, superior customer service, improved productivity, and a pronounced competitive edge. Workers are involved in their work and can do multiple tasks. As she puts it: "If you look at the retail store for example, you will see different occupations: cashiers, salespeople, janitors, supervisors; but at a place like QuikTrip or Trader Joe's, the cashier is also the salesperson and the janitor."[16]

A similar strategy has worked in the hospitality industry. Four Seasons Hotels and Resorts offers higher wages, extensive training, and internal career advancement, which has helped keep turnover down in an industry where turnover is rampant.[17] It involves and encourages its workers to use independent judgment and decision-making authority in providing customer service. In fact, the company is famous for not having an independent customer service department. Instead, every staff member, from maid to manager, is tasked with looking after customer management and upholding the highest quality of guest service. Paying workers better and providing opportunities to advance in their careers is a big part of why Four Seasons has come to define the luxury hotel segment.

While these are only a few examples, Ton makes the convincing case that a good Service jobs strategy can work across virtually any service business. As she spelled out to us:

> ***In general, the good jobs strategy can be applied to any organization where workers' jobs can be designed in a way that increases their contribution, productivity and involvement in improvement. Here are just a few ways to increase contribution:***
>
> - ***Cross-training to perform different tasks to provide demand flexibility***
> - ***Empowering workers to make decisions, and***
> - ***Substituting product variety with knowledgeable employees***
>
> ***If you can't increase contribution and involvement in improvement then it doesn't make much sense to invest in workers. For example, it's hard to make a business case for investing in workers working in a toll booth or parking garage unless they can do things other than taking in the money and giving back change. So, the main question to ask is, in which types of environments can workers' contribution and involvement be increased?***
>
> ***I think any service or production business where delivering the service or product to the customer requires some level of complexity and interdependence (multiple steps in the process, coordination across different people/functions) are good candidates. Of course in settings where there is direct contact with the customer and personal connection/empathy affect customer satisfaction, the good jobs strategy applies even more. Retail stores, restaurants, hotels, hospitals, call centers, airlines are all good examples.***[18]

Companies in more advanced industries can also benefit from upgrading Service Class work. In particular, so-called anchor institutions have

much to gain and can play a central role in upgrading Service Class jobs.[19] This includes both traditional anchors like universities, educational institutions, and medical centers, as well as business anchors like high-tech companies and real estate developers. Universities and medical centers employ a large number of people in Service Class work. Not only can they benefit from upgrading Service Class jobs, they can be seen as leaders in bringing more inclusive prosperity to their communities. Large high-tech companies, like Apple, Microsoft, Amazon, and Google, also employ a large number of Service Class workers to staff their cafeterias, daycare centers, health-care centers, call centers, and grounds maintenance. Many of these companies outsource this work. These companies have also become targets of protests in cities like the Bay Area over their impacts on housing prices and growing inequality. They are among the most valuable corporations in the world and have both the resources and capabilities to take the lead in upgrading Service Class work and move toward more inclusive prosperity. Real estate developers can also play a role by selecting tenants who provide better Service Class jobs and employ the good jobs strategy.

Ultimately, there is a powerful business case to be made that offering employees better wages, more autonomy, greater involvement in their work, and more and better skills training improves a company's bottom line.

While business must lead in the upgrading of Service Class jobs, there are several things the public and non-profit sectors can do to hasten the upgrading of these jobs. As noted above, the institutional and policy innovations of the New Deal period — including labor legislation — worked together with corporate-led job upgrading to spur the upgrading of blue-collar manufacturing jobs in the 1950s and 1960s. The private sector is key, but government initiatives can also support and accelerate such efforts.

Mayors, governors, and other state and local leaders can use their power to bring together leading Service Class business leaders, labor organizations, and other experts to identify best-practices for upgrading Service Class work, forming working groups of business, labor, public sector, non-profit, and academic actors to identify pathways to upgrading Service Class jobs. Here, local and state governments, as well as economic and community development organizations, can work with local anchors to take the lead.

Government and economic and labor force development organizations can also form networks of companies to accelerate the identification, adoption, and diffusion of best-practices for upgrading Service Class work. There is a long history of successful, publically-led efforts to accelerate the adoption of best-practices in management as well as technology in both the agriculture and manufacturing industries. The agricultural extension initiatives of the federal government helped to bring best-practice technology and management, improving the productivity of farms.[20] During the 1980s, the manufacturing extension movement helped to bring best-practices in lean production and quality management to manufacturers, especially smaller and medium-sized businesses.[21] Many cities and communities have also formed networks of high-tech firms and startups and of industrial clusters to accelerate the sharing of information and the adoption of best-practices. The same kinds of networks can be used to spur the adoption of best-practices for upgrading Service Class work.

Government and non-profit organizations, including the networks identified above, can also use award programs to spur the adoption of best practices for upgrading Service Class jobs. The Malcolm Baldrige National Quality Award, and other programs like it, are widely credited with spurring the adoption and dissemination

of best-practice techniques in manufacturing technology and management.[22] This leading effect goes far beyond just the awarded firms; it extends to the other companies who apply for and compete in these awards programs, as well as businesses that are part of participating firms' supply chains, all of which are stimulated to upgrade their practices by these award programs.

Labelling programs are perhaps an even more powerful tool governments and non-profits can use to spur firms to upgrade Service Class work. Labelling programs for ingredients, environmental quality, or country of origin, such as the "Made in the USA" label, can have a significant effect on consumer purchases.[23] Labelling products and services having been made by workers in "good jobs" would provide important and useful information to consumers that could have a similar or perhaps even bigger effect.

Government can also take more direct approaches to upgrading Service Class jobs. One way is setting a higher wage floor through the minimum wage. Twenty-nine states have enacted minimum wages above the federal minimum and many cities have increased their minimum wages as well.[24] Minimum wages should be set in light of local housing costs and wage rates: Because of the significant variation in costs of living and wage rates across cities and metro areas, the minimum wage should vary by location. Research suggests that the minimum wage should be pegged to roughly to 60 percent of the local median wage based on full-time work.[25]

Exhibit 30 provides the suggested local minimum wage levels for the 10 large metros with the highest and lowest wage levels based on these thresholds of 50 and 60 percent of the metro median wage. Since these figures are based on the median wage for all workers including part-time workers, it is likely that the median wage for full-time workers is roughly 10 percent higher. Thus, we can use 50 percent as a lower bound and 60 percent as reasonable level.[26]

First off, this analysis suggests that the current federal minimum wage of $7.25 is too low for each and every one of the nation's large metros. Indeed, there are just 50 or so metros where the current federal minimum makes sense. Across the nation, the current federal minimum would be too low in 85 percent of all metros (330 of 382 metros). The minimum wage should be between roughly $7.50 and $8.50 as a lower bound and between $9.00 and $10.00 an hour in the lowest paid large metros.

At the other end of the scale, the current movement for a $15-dollar an hour minimum wage may be too high for most metros. There are only three metros whose economies could easily tolerate a minimum wage of $15 dollars an hour: San Jose, Washington, D.C., and San Francisco. In most large metros, a minimum wage of roughly $13 and $14 dollars an hour makes sense.

Local and state governments and economic development organizations can also undertake other actions to help upgrade Service Class jobs. For example, they could encourage or even mandate that companies, real estate developers, or anchor institutions upgrade Service Class jobs in return for changes in zoning restrictions such as the ability to develop at higher density.

It is time for a broad effort to upgrade Service Class jobs involving business, labor, universities, and the economic development community broadly. Our cities, businesses, and most of all our workers have much to gain. Indeed, Service Class jobs may well be the last frontier for the upgrading of work. During the late 19th and early 20th century we upgraded agricultural work, improving organization, productivity,

Rank	Metro	Minimum Wage at 50% of Median Wage	Minimum Wage at 60% of Median Wage	Median Wage
1	San Jose-Sunnyvale-Santa Clara, CA	$14.35	$17.22	$28.70
2	Washington-Arlington-Alexandria, DC-VA-MD-WV	$12.57	$15.08	$25.13
3	San Francisco-Oakland-Hayward, CA	$12.45	$14.94	$24.90
4	Boston-Cambridge-Newton, MA-NH	$11.86	$14.23	$23.72
5	Seattle-Tacoma-Bellevue, WA	$11.46	$13.75	$22.91
6	Hartford-West Hartford-East Hartford, CT	$11.32	$13.58	$22.63
7	New York-Newark-Jersey City, NY-NJ-PA	$10.87	$13.04	$21.74
8	Minneapolis-St. Paul-Bloomington, MN-WI	$10.38	$12.46	$20.76
9	Baltimore-Columbia-Towson, MD	$10.23	$12.28	$20.46
10	Denver-Aurora-Lakewood, CO	$10.13	$12.16	$20.26
44	Jacksonville, FL	$8.34	$10.00	$16.67
45	Grand Rapids-Wyoming, MI	$8.21	$9.85	$16.41
46	Tampa-St. Petersburg-Clearwater, FL	$8.19	$9.83	$16.38
47	Las Vegas-Henderson-Paradise, NV	$8.19	$9.83	$16.38
48	Tucson, AZ	$8.17	$9.80	$16.33
49	San Antonio-New Braunfels, TX	$8.15	$9.78	$16.30
50	Miami-Fort Lauderdale-West Palm Beach, FL	$8.15	$9.78	$16.30
51	Memphis, TN-MS-AR	$7.94	$9.52	$15.87
52	New Orleans-Metairie, LA	$7.86	$9.43	$15.72
53	Orlando-Kissimmee-Sanford, FL	$7.55	$9.06	$15.10

Exhibit 30: Large Metros with Highest and Lowest Suggested Local Minimum Wage Based on 50 and 60 percent of Metro Median
Source: U.S. Bureau of Labor Statistics, Occupational Employment Statistics, May 2016.

and efficiency on the farm so that now we produce more than enough food to feed ourselves with only a small share of the labor force. Manufacturing work was upgraded during the latter part of the 20th century with the introduction of modern management, modern technology, and lean management, so that now we produce more manufacturing output while employing a much smaller share of the labor force in direct production work in actual factories. Knowledge, professional, and creative work is undergoing a similar revolution in efficiency and productivity today.

But, Service Class work in the main remains low paying, low productivity, routine work with low knowledge and skill content that is relatively untransformed. It is imperative that we upgrade this work into higher skill, more involved, more innovative work in order to overcome our economic divide and rebuild our middle class. The time for a broad collective effort to improve and upgrade the Service Class work in which millions upon millions of American toil is now.

Appendix: How We Measure the Service Class

We define the Service Class by occupation. It includes workers' occupations which are based on routine service work, including: Food Preparation and Serving Related occupations, Healthcare Support Occupations, Building and Grounds Cleaning and Maintenance, Personal Care and Service, Low-end Sales, Office and Administrative Support, Community and Social Services, and Protective Services.

We used two data sets to identify and examine the Service Class.

The first is based on the Occupational Employment Statistics (OES) of the U.S. the Bureau of Labor Statistics. The data is available from http://www.bls.gov/oes/.

The second is from the American Community Survey (ACS) of the U.S. Census Bureau to collect economic, social, demographic, and housing information. The sample used for the analysis includes those who are employed and not in the military. Data was downloaded on August 19, 2014 from http://www2.census.gov/acs2012_5yr/

The other classes are also defined by occupation as follows.

The Creative Class includes workers in occupations that are defined by high levels of cognitive skill, complex problem solving, relatively autonomous decision-making, and independent judgment. Creative Class occupations include: computer science and mathematics; architecture, and engineering; life, physical, and social science; education, training, and library science; arts and design work, entertainment, sports, and media; and professional and knowledge work occupations in management, business and finance, law, sales management, healthcare, and education.

The Working Class includes workers in routine manual occupations such as construction and extraction, installation, maintenance and repair, production, and transportation and material moving occupations.

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26 The median wage in the OECD countries tends to be set at roughly 50 percent of the median wage for full-time workers. In an email, Arindrajit Dube suggested to adjust the 50 and 60 percent thresholds in light of this.

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We thank
Taylor Blake for research assistance and maps;
Michelle Hopgood for graphics; &
Ian Gormely for editing.

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ISBN 978-1-928162-14-8
Cover Image: Shutterstock/Mark Umbrella