Research Grants Studies

Section 1110 of the Social Security Act provides for a cooperative research grants program The grants are given by the Social Security Administration (SSA) to nonprofit organizations for research in the broad area of social security A report on a completed grants project (Grant No 391) is summarized below From time to time, the BULLETIN publishes similar summaries as projects are completed

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LABOR MOBILITY OF LOW- AND HIGH-WAGE WORKERS, 1959–63

This project, designed to test whether a dual structure exists within the American labor market system, was directed by George H Hildebrand (Maxwell M Upson Professor of Economics) and Richard M Block of Cornell University

With the emergence over the past two decades of extensive professional interest in low incomes and poverty, a collateral interest has developed in the working poor, and in the problem of low wages, particularly The problem can be viewed in two principal dimensions From the demand side, interest centers on the structure of job opportunities among the low-wage and high-wage industries, respectively The important factors include wage distortion, barriers to entry, access to physical capital, access to funds for investment in personal capital, quality of management, and nature and design of job structure

On the supply side, interest centers on differences in the quality of labor supply Among the elements that command attention are age, vocational and educational preparation, degree of employment, experience, self-discipline and motivation, race, and access to labor-market information

To explain these factors, a body of theory has emerged that concentrates on the idea of a duality of structure within the American system of labor markets—the "dual labor-market hypothesis" It suggests that two distinct categories of jobs and employers exist, and hence two distinct sectors making up the industries of the United States In the high-wage sector, jobs are well-designed, extensive ladders of occupational opportunity exist, workers are highly productive, and pay is exceptionally good, and unionism and job security are extensive Most workers wish to go to this side of the market because the economic conditions both at the start and on the way up are outstanding

In the low-wage sector, by contrast, the jobs are poor and often lead nowhere, earnings and worker productivity are very low, and there is little unionism to shape the workplace or to provide the security of job tenure In this sector, one would expect predominantly inexperienced, poorly trained, and in many cases the least endowed members of the whole work force One also would anticipate high turnover and unemployment, both through a high voluntary quit rate and a high degree of involuntary unemployment arising from a large component of temporary, part-time, or unstable jobs

The central research questions that follow are First, what is the evidence of a dual industrial structure? Second, are there clear-cut differences between the two groups of workers? And, third, how much flow is there between groups—particularly from the low- into the high-wage sector? In short, does porosity or viscosity describe the labor flows between the two structures?

Clearly, the Continuous Work History Sample of the Social Security Administration offers a unique longitudinal data base through which one can classify workers by age, sex, race, job history, industry, geographic location of employment, and annual earnings Here, therefore, is a means for examining labor and mobility in extensive and realistic detail—detail available in no other way

The first concern of this research is the relationship between mobility and earnings The relationship was tested for association between the number of jobs held in a given period and earnings obtained By analysis of variance, it was found that the data for 1959–63 are consistent with the dual labor-market hypothesis Earnings decline as movement among jobs increases This finding suggests that much mobility is better interpreted as being forced upon low-wage workers rather than as the product of rational maximization of utility

Second, comparative mobility patterns of subgroups of the Cornell sample, classified by age and by race, were studied Again the evidence proved consistent with the dual labor-market hypothesis A clear, though hardly surprising, inverse relationship exists between age and job mobility, and a tendency was seen for nonwhite workers to move among more jobs than do white workers Indirectly, both findings suggest that the young and the nonwhite workers tend to concentrate well beyond random expectations in the low-wage industries of the Nation

Third, all two-digit industries in the Cornell sample were grouped by wage rank based on independent data of the Bureau of Labor Statistics A quartile classification thus was obtained from low-paying industries through medium-low, medium-high, and high-paying industries Next, mobility characteristics of workers in each of the four groups were examined

Once more, the results are consistent with the dual labor-market hypothesis For each year, the mean number of jobs per worker rises as one descends through the wage-rank quartile In short, much less turnover is found among high-wage workers than among low-paid ones

The final and extremely important research question—whether distinct patterns of vertical and horizontal mobility within and among the quartiles exist—asks in essence Where did the movers go? Segmentation theories all suggest that workers tend to stay in their quartiles—in other words, the labor market is highly stratified Upward mobility among the industries thus is limited

To examine the problem, a "job-trace analysis" was used to put the mean tendency of actual movements in juxtaposition with normal expected probabilities Distinctly more intraquartile movement and distinctly less interquartile movement were found than would have prevailed if the distribution of movers across industries had been random Workers holding at least three jobs in a given year tended strongly to remain within their given quartiles

The results of these four lines of inquiry are not in themselves sufficient to furnish conclusive support for the dualistic view of the labor market They do, however, clearly provide it with important additional underpinnings and suggest some interesting possibilities for further research

The final report of this completed research grants project is in the Social Security Administration Library, 571 Altmeyer Building, 6401 Security Blvd, Baltimore, Md 21235, and in the Library of the Office of Research and Statistics, Room 320-O, Universal North Building, 1875 Connecticut Ave, NW, Washington, D C 20009 Copies of the report may be obtained through interlibrary loan. (Also in these libraries are copies of more than 50 other research grants projects that have been completed since 1963 A list of these projects appeared in the May 1974 BULLETIN)