

On his website, [Stephen Goldsmith](#) reviews current academic research that is most relevant to practitioners, policy advisors and policy makers.

This document summarizes: Kusters, Marvin H. “Low Wage America: Up from the bottom ring.” *Public Interest*, Vol.158 (Winter 2005) 83-95.

*Policymakers at all levels interested in poverty or family/child welfare will appreciate a creative, holistic perspective on working poverty—one that focuses on overall household welfare rather than wages in particular.*

Marvin Kusters’ “Low Wage America: Up from the bottom ring,” the second of a two-part series, offers an alternative view from Ronald Ferguson’s [“Low Wage America: The working-poverty trap”](#) (*Public Interest* Winter 2005: 71-82.) In reframing working poverty as a problem of household welfare—and not wages—the author provides both new conclusions and new policy prescriptions.

The article first asks three distinct questions: 1) what ‘working poverty’ encompasses; 2) why full-time workers earn less than necessary to support their families; and 3) what society can do to ameliorate this problem. In answering these questions, the author challenges the methods and assumptions of the Ferguson piece. First, the main argument throughout the article is that the focus of the problem—working poverty—should shift from that of wages to household welfare. Because the labor market sets wages according to skill-levels and the value employers place on specific skills, there is a discrepancy between market-driven wages and the ability of employees to fulfill their consumption needs.

Second, the increased demand for, and limited supply of, skilled labor has led to increases in skilled labor wages. Meanwhile, the increased supply of unskilled labor, through forces such as immigration and successful welfare-to-work reforms, has combined with shrinking demand for unskilled labor, has brought down the relative wages of unskilled workers. The author next challenges the scope of working poverty, arguing that it is not as prevalent as some believe. He also challenges the assumption that employers have discretion in allocating wages. Not all businesses have the capacity to take the “high road”—training workers and paying more for higher productivity—as firms have different production processes and skill levels. Therefore, the best “high road” practices of one firm are not necessarily transferable to other firms, making it an implausible solution. Kusters challenges the description of certain jobs as “dead end” ones. According to Ferguson, the lack of hierarchy in skills at certain workplaces prevents any opportunity for professional advancement. Instead of analyzing the movement within a firm, the author suggests looking at the fluidity of the work force in aggregate—people moving easily from firm to firm—and concludes that these types of jobs do offer opportunity for professional advancement.

Third, the author acknowledges that we live in a society intolerant of a large underclass. The policy prescriptions in this article, however, reflect a broader audience; not solely low-wage workers, but also unemployed workers and society-at-large. Raising the minimum wage may help low-wage workers, but hurts unemployed people with low-earnings capability. He offers worker training as a potential solution to safeguarding the interests of low-wage workers.

Ensuring the right amount and best quality of training provided by an employer is a difficult task. However, increasing employees' skills through training and additional education mitigates the gap between skilled and unskilled workers. It increases the value of each worker, increases his or her wages, and also decreases the supply of unskilled labor. Further, Kusters emphasizes that although increased training can help cope with competition, technology, and globalization, in the end there will still be families unable to make ends meet. The correct solution is not to regulate wages, etc, but to focus on income supplements such as the earned-income tax credit, Medicaid, and food stamps to ensure the welfare of low-wage earning households.