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Pursuing High-Wage Jobs to Boost Economic Well Being¹

The conventional mantra in local economic development circles is that we have to find a way of luring more high-wage employers to our communities to offset the proliferation of low-wage jobs in the growing service and retail sectors as well as the tourism industry.

In rural areas such high-paid employment opportunities are likely to be limited to mineral extraction, forest products, and construction. Nationwide the pay associated with mineral extraction is \$20 to \$25 per hour before the overtime pay associated with the 45 to 50 hour workweek. The hourly pay in retail trade is half that and the work week is only 30 hours, a third less. In leisure and hospitality businesses the pay is only about \$10 per hour and the workweek only about half that found in mineral extraction.

Economic statistics such as these are seen as proving the economic superiority of the mining, forest products, construction, and heavy manufacturing industries. Hence the enthusiasm of economic development advocates for attracting such industrial activity and their lukewarm view of a service or tourism economy.

But this high disparity in wage levels and hours of work raises some interesting questions. Why do mining jobs pay so much? And why is the workweek in retail trade and tourism so short?

¹ For an expanded discussion of these points see "Are High Wage Jobs Hazardous to Your Health? The Myth That Attracting Higher Paying Extractive Industry Jobs Is a Desirable Community Economic Development Strategy," John Loomis, Joe Kerkvliet, and Stephan Weiler, *Western Economic Forum*, 6(2):10-14. <http://agecon.uwyo.edu/waea/WEForum/WEF-Vol.6-No.2-Fall2007.pdf>

The way “high-wage” jobs are usually described, it is assumed that the high wages are associated with the character of the production process or the product produced. But if the higher wages make workers significantly better off, why don't lots of workers apply for such jobs, driving the wages down. And why don't workers in low-paid jobs leave those jobs, creating a shortage of workers that drives those wages up?

Part of the answer may be that the higher-paid jobs require more education, training, and experience that not many workers have. If that is the case, bringing those jobs to your community may not provide high pay to existing residents since the workers to fill those jobs will have to be recruited nationally. In that situation, the high pay is not associated with the industry itself but with the particular skills that workers in that industry must have.

Another part of the explanation may be that there is something unattractive about those jobs and workers have to be paid more to fill the jobs. The higher pay is like “battle pay” for soldiers, seeking to compensate workers for unattractive working conditions. For example, economists have shown over and over again that jobs that have a higher probability of injury or death pay much higher wages. That is relevant to the comparison of mining and leisure and hospitality jobs. The risk of being fatally injured in mining is more than ten times that in the hospitality and leisure industry, 25 deaths versus 1.8 deaths per 100,000 workers. Mining is also known for the chronic diseases associated with it: Think Libby vermiculite miners or black lung in coal mining Appalachia. The physical intensity and stress of mining activities and the isolation of workers from families and communities is legend too, leading to high levels of methamphetamine, other illegal drugs, and alcohol use.

Mining jobs are also strongly cyclical, suffering through major collapses in which almost all mining and processing activities come to a halt because of low commodity prices. That “boom-bust” character makes mining employment and those high paychecks uncertain. The miner is in great economic shape when the industry is expanding but then faces long periods of unemployment when the industry is retrenching. Labor displacing technological change also systematically eliminates significant portions of those high paid jobs.

The high pay associated with these jobs may not be a sign of how superior these jobs are but, rather, a measure of their downside that has to be compensated for with higher pay. It is also compensation for the time, effort, and cost associated with obtaining the training and experience required for the job.

The spectacularly low annual pay associated with retail trade, leisure and hospitality jobs is significantly due to the much shorter workweek or the seasonal character of the job. Before concluding that this is a sign that these jobs are inferior, we should ponder the fact that in many high-paid industries there is a constant effort by workers and unions to cut back on mandatory over-time work. Despite the suggestion that all workers want to work as many hours as possible, a central struggle during the late 19th and early 20th century focused on workers’ efforts to reduce the workweek, not expand it. Part-time and seasonal work is valuable to many people because they have more to do with their time than just work: They want to go to school, raise families, enjoy leisure activities, or work a variety of jobs that better use their skills.

All this is important when evaluating the usual “good jobs-bad jobs” mantra. If labor markets are even vaguely working well, high pay is not passed out as a random

gift to workers who happen to be lucky. Workers receive it because of their training, experience, and other qualities or because of the sacrifices they are asked to make on the job. That means not all or even most of that higher pay is a net “windfall” gain but simply a payment for sacrifices made. It is not necessarily evidence that the worker is better off. Similarly, attractive jobs or attractive working conditions, including attractive working hours and attractive living locations, can be expected to have lower pay associated with them that has nothing to do with reductions in the well being of workers.

When we focus on the actual determinants of people’s well being, we see the local economy in a dramatically different way than when we focus simply on maximizing the volume of local money transactions, which is what most local economic development dialogues do.