

A NATIONAL REPORT

WORKING HARD, FALLING SHORT

America's Working Families
and the Pursuit of Economic Security



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WORKING HARD, FALLING SHORT America's Working Families and the Pursuit of Economic Security

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This report is a product of the Working Poor Families Project, a national initiative supported by the Annie E. Casey, Ford and Rockefeller foundations. This initiative, publicly launched in 2001, has involved 15 state nonprofit organizations that are committed to helping low-income adults succeed in the labor market. Each state organization prepares a report similar to this national one, assessing conditions of working families and state government efforts to assist them. The views expressed in this report are those of the authors and do not necessarily reflect those of the supporting foundations.

For copies of this report, any of the state reports, or for more information on the Working Poor Families Project, visit www.aecf.org/initiatives/jobsinitiative/workingpoor.htm.

THE UNITED STATES OF AMERICA IS OFTEN CALLED THE “LAND OF OPPORTUNITY,” A PLACE WHERE HARD WORK AND SACRIFICE LEAD TO ECONOMIC SUCCESS. ACROSS GENERATIONS, COUNTLESS FAMILIES HAVE BEEN ABLE TO LIVE OUT THAT PROMISE.

However, more than one out of four American working families now earn wages so low that they have difficulty surviving financially. These are families with responsible, hard-working breadwinners who want to get ahead but hold down low-paying jobs with inadequate benefits and little hope for advancement. Many lack the skills and education they need to move into jobs that pay better, even while the economy demands more highly trained employees. And while our economy relies on the service jobs these low-paid workers fill – such as cashiers, janitors, security guards and home health aides – our society has not taken adequate steps to ensure that these workers can make ends meet and build a future for their families, no matter how determined they are to be self-sufficient.

The goals for the nation should be straightforward and ambitious: to sufficiently reward work, to strengthen policies that make economic advancement and security possible, and to promote the creation of jobs that pay well. While there is a rock-hard streak of individualism in this nation, there is an equally strong belief in community and fair play. Americans support the goal of improving opportunities for those who work to better their lives. As a nation, we cannot guarantee success for any one family; however, we can do more to improve the chances for all to advance.

To do that, we must effectively invest our public resources so that low-income working families have far better access to education, training, health care, parental leave and other benefits. People earning higher salaries typically have access to those things; those who are paid less need the same.

Reaching these goals is not only the right thing to do; it is in line with our national interest. As a country, we must act now to ensure that our investments generate enough skilled workers to keep the economy thriving. Doing so will lead to an increased tax base, in effect a return on our investment. It will also reduce the personal, social and economic costs imposed by low wages and poverty. In the long run we will maintain stable communities and keep our businesses competitive.

The Working Poor Families Project, with the support of the Annie E. Casey, Ford and Rockefeller foundations, has spent three years working in 15 states to examine both the conditions of low-income working families with children and public policies that can help improve their lives. This report builds on that work and takes a broader look at low-income working families across the nation and key facets of an economic and public system that affect their ability to achieve economic security.



The core finding is that too many American working families are struggling to get by, advance to the middle class and provide a secure future for their children. Despite the enduring strength of our economy, advancement does not happen by chance. State and federal policies and investments, coupled with community and private efforts, can provide a major boost to low-income workers and the overall economy. It is important to note that in today's United States, crucial public investments and supports for working families vary significantly by state. This variance raises fundamental questions of fairness and makes clear that states are not doing all they can for low-income working families. It also starkly highlights the need for a stronger commitment to these families from federal policy-makers.

AMERICA'S LOW-INCOME WORKING FAMILIES

- ◆ One in four working families is low-income.
- ◆ Forty percent of minority working families are low-income, twice the percentage of white working families.
- ◆ Of all children in working families, one third are in low-income working families.
- ◆ A married couple heads more than half of low-income working families.
- ◆ While 35 percent of low-income working families have a parent who did not complete high school, 42 percent have a parent with some post-secondary education.
- ◆ More than half of low-income working families pay more than a third of their income for housing; more than a third have a parent without health insurance.

Major findings and recommendations are summarized here. More detailed recommendations are included in Chapter Four of this report.

FINDINGS

After examining national and state data, a wide range of studies, media coverage and other sources, this report highlights five broad findings about low-income working families in the United States:

◆ **MILLIONS OF WORKING FAMILIES ARE STRUGGLING TO MAKE ENDS MEET.**

More than 25 percent of working families in the United States can be classified as low-income. To be considered low-income, a family of four earned less than \$36,784 in 2002 (far less than the median income of \$62,732 for a family of four). Of those 9.2 million low-income working families, 2.5 million are officially in poverty (earning less than \$18,392 for a family of four). Working families with a minority parent are twice as likely to be low-income as families with white parents.

◆ **THE EDUCATION AND WORKFORCE DEVELOPMENT SYSTEMS INADEQUATELY PREPARE MANY WORKERS FOR TODAY'S ECONOMY.**

Low-income workers are almost three times more likely not to have finished high school than those who earn more; nationally, 27 million adults do not have a high school degree. Without a high school diploma, these workers need improved skills to succeed. Current federal and state education and skills-training efforts do not meet workers' needs and fall short of businesses' demand for skilled labor. America must recognize its human capital as an essential economic resource.

◆ **TOO MANY JOBS OFFER LOW WAGES AND INSUFFICIENT BENEFITS.**

The nation has seen a decline of traditional well-paying jobs that provide reliable paths to the middle class for many workers. Twenty-four million jobs in the United States, a fifth of all jobs, cannot keep a family of four above the poverty level and provide few or no benefits. Even workers who have advanced beyond high school do not have good jobs; 3.9 million low-income working families have a parent with some post-secondary education. The prevalence of low-wage work in America leads to high costs for all.

◆ **CONDITIONS FOR LOW-INCOME WORKING FAMILIES VARY ENORMOUSLY BY STATE.**

The conditions of working families are affected significantly by states' tax structures and investments in education, training and child care. While some states consciously enact policies that benefit low-wage working families, many states do not. For instance, workers in some states who make up to \$30,000 a year are eligible for publicly supported health care while workers in other states lose their eligibility once their earnings exceed \$10,000.

◆ **RESPONSES TO THESE ISSUES ARE INADEQUATE.**

The world of work has changed drastically, but public policies have not. While some states are trying to adjust, other states are doing little. At the same time, state resources will never be sufficient to address all of the issues confronting America's working families. The federal government has the responsibility to ensure that the nation has trained, well-educated workers to meet the needs of a rapidly changing economy, that people are treated equally across the country, and that we honor work with fair wages and benefits for all employees. However, the federal government fails to focus adequately on improving economic opportunities for low-income working families, and too little is known about the effectiveness of federal policies.



RECOMMENDATIONS

This report's findings prompt the need for a wide array of responses from policymakers, businesses and the public. The report makes four main recommendations:

◆ **INVEST IN EDUCATION AND TRAINING FOR WORKING FAMILIES.**

Federal and state policies must be strengthened so that post-secondary education, targeted skills-training and adult literacy programs successfully enroll and serve more low-income working adults. Such policies must address the needs of employers and be grounded in the realities of the labor market. While states can do more on their own, the federal government must make sure its policies and programs are effective throughout the country.

◆ **IMPROVE INCOME, BENEFITS AND SUPPORTS FOR LOW-INCOME WORKING FAMILIES AND INCREASE THE NUMBER OF GOOD JOBS.**

Federal and state leaders should set policies that reward work through pay and benefits sufficient to support families. Leaders should expand resources for and promote greater access to health care and other important benefits such as child care. Leaders also should set policies that maintain and generate good jobs.

◆ **ASSESS THE CONDITIONS OF AMERICA'S WORKING FAMILIES AND GOVERNMENT EFFORTS ON THEIR BEHALF.**

The federal government should regularly assess the extent to which working families in the United States are self-sufficient. It should make available current, detailed data on the economic status of working families at the national, state and local levels. Further, it should redefine poverty more realistically and adopt a meaningful definition of self-sufficiency or low-income. Federal and state governments should improve policies and programs that support America's working families. To this end, they should prepare and make public accurate information that measures the performance of public investments, and make necessary adjustments in light of the results.

◆ **FOCUS THE NATION'S ATTENTION ON LOW-INCOME WORKING FAMILIES.**

The federal government should initiate a nationwide discussion on how one of the wealthiest nations in the world values and rewards work. As a part of this, the federal government should create a national commission to examine why so many working families struggle financially, how federal and state government policies and private-sector business practices can better support low-income working families striving for economic security, and how such efforts can increase national competitiveness and reduce costs for taxpayers.

Those who work should be able to support a family with confidence that continued hard work will lead to a brighter future. For far too many American families, that notion remains appealing but remote. In this exceedingly prosperous society, we can and must do better. ■



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A Distant Dream

FEW NATIONAL NOTIONS ARE MORE RESILIENT THAN OUR COLLECTIVE BELIEF IN THE AMERICAN DREAM. WE ACCEPT AS A TRUISM THAT DETERMINED AMERICANS WILLING TO WORK HARD AND BE RESPONSIBLE MEMBERS OF THE COMMUNITY CAN BECOME SELF-SUFFICIENT MEMBERS OF THE MIDDLE CLASS AND BEYOND.

Everyone would agree that this dream is still reachable for many. However, as a nation we must also recognize that for millions of families, the goal of economic self-sufficiency remains stubbornly out of reach. Some call them the working poor – a label that defies our basic sense of fairness because they work, yet they remain poor. In large cities and small towns, from suburbia to rural areas, these families play a vital role in the economy – caring for the elderly in nursing homes, taking care of children, cleaning offices or driving a delivery truck.



Breadwinners in these families work hard, pay taxes and strive to develop financial security, hopeful that their efforts will lead to a brighter future. But it is a distressing fact that many of these working families are stuck on the margins of the economy, their needs largely invisible to policy makers and the public.

The bottom-line: more than nine million working families in this country earn wages so low that they have difficulty making ends meet. Their jobs, crucial to our economy and our way of life, usually provide few basic benefits such as health care or parental leave. With little financial security, these low-income families struggle simply to avoid economic collapse. One emergency – a broken-down car, rent increase or serious illness – can disrupt the family’s precarious equilibrium and plunge them into financial chaos. Important components of middle-class life – access to college, 401(k) funds and home equity – are largely out of reach.

In David Shipler’s 2004 book, “The Working Poor,” he summarizes the situation. “While the United States has enjoyed unprecedented affluence, low-wage employees have been testing the American doctrine that hard work cures poverty. Some have found that work works. Others have learned that it does not. Moving in and out of jobs that demand much and pay little, many people tread just above the official poverty line, dangerously close to the edge of destitution.”¹

Clearly the issue of low-income workers is tied inseparably to larger, even global, factors that are transforming our economy. As the nation grows more diverse and international competition intensifies, jobs are leaving the country, and technological gains demand a more educated, better-trained workforce. Low-wage workers are trying to improve their standing in an economy that increasingly requires more than hard work to advance.

Experience shows that actions can be taken to improve opportunities for families seeking to get ahead. Education and training can provide the skills, knowledge and confidence many low-wage workers need to move up in the working world. Refundable tax credits can put more money in the pockets of workers. Subsidized medical care can keep many families healthier and out of crippling debt. With the nation facing enormous economic change, we cannot maintain a public system that has inadequate policies and resources for low-income workers and their families.

The Working Poor Families Project provides a revealing new look at low-income working families on both a national and state level. It does so by using data from the U.S. Census Bureau's American Community Survey and other sources. To date, the project has supported examinations of issues that affect low-income working families in 15 states: Arkansas, California, Colorado, Florida, Illinois, Kentucky, Maine, Maryland, Massachusetts, Michigan, New York, Ohio, Texas, Washington and Wisconsin.

In each instance, state efforts are measured against national averages. This report uses a similar approach, examining national data and making state-by-state comparisons. It also notes some of the effective work that has come out of the states in the last three years, spurred in part by this project.

Chapter One examines conditions affecting low-income working families, both nationally and from state to state. Chapter Two presents the economic realities these families face nationally and from state to state. Chapter Three describes the cost of low-wage work to government and , and identifies policies and practices that help low-wage families and workers succeed in the labor market. Chapter Four recognizes efforts in states to address the conditions of low-income working families and makes recommendations for strengthening federal and state policies. ■

MYTHS AND FACTS ABOUT LOW-INCOME WORKING FAMILIES

- MYTH:** Low-income families do not work.
FACT: Seventy-one percent of low-income families work.
- MYTH:** Low-income working families do not work hard.
FACT: The average annual work effort for low-income working families is 2,500 hours, equal to 1.2 full-time jobs.
- MYTH:** Low-income working families are headed by single parents.
FACT: Fifty-three percent of low-income working families are headed by a married couple.
- MYTH:** Low-income working families are headed by immigrants.
FACT: Seventy-two percent of low-income working families have American-born parents only.
- MYTH:** Low-income working families have very young parents.
FACT: Eighty-eight percent of low-income working families have a parent between 25 and 54 years old.
- MYTH:** Low-income working families are overwhelmingly minority.
FACT: Forty-seven percent of low-income working families have white, non-Hispanic parents only; 28 percent have an Hispanic parent, and 20 percent have an African-American parent.

Source: American Community Survey 2002,
U.S. Census Bureau

WORKING HARD TO MAKE IT: America's Low-Income Working Families

“Low-income working families.” The phrase does little to illuminate the living conditions and struggles of millions of Americans. Who are these families, what are their financial lives like, and what obstacles do they face in trying to improve their situations? This section answers those questions by examining data on earnings, workplace benefits, race, family composition and other factors. It highlights the magnitude of the problem and how conditions for these families differ from state to state.

LOW-INCOME WORKING FAMILIES IN THE UNITED STATES

Consider the motel housekeeper, the retail clerk at the hardware store or the coffee shop cook. If they have children, chances are good that their families are living on an income too low to provide for their basic needs.

In 2002, more than 9.2 million U.S. families fell into this low-income category, earning less than 200 percent of the federal poverty threshold. This figure represents 27.4 percent of all working families in the country. More than 2.5 million low-income working families had incomes that put them officially in poverty.²

How do we define a working family? A family is a married-couple or single-parent, primary family with at least one child present under 18 years of age. A family is considered working if in the last 12 months, family members age 15

and older have a combined work effort of at least 39 weeks or a combined work effort of at least 26 weeks plus one unemployed parent actively looking for work in the past four weeks.

How do we define low-income? The federal definition of a poverty-level income was developed more than four decades ago by estimating the cost of an “economy” food diet and then multiplying it by three to cover other household expenses, such as rent and transportation. However, this approach does not account for the true cost of housing, child care, transportation and health care. While millions live in poverty, millions more live officially out of poverty, but nonetheless struggle to provide the basics for their families. (See appendix for more information on measuring self-sufficiency realistically.)

This report focuses on those working families with children earning less than 200 percent of the federal poverty income thresholds. Experts see this figure as a more realistic gauge. According to 2002 federal standards, a family of four was officially living in poverty if their annual income was less than \$18,392. Using the 200 percent gauge, that family is considered low-income with earnings of less than \$36,784.³

Remember, these are working families. In the average low-income family, total work effort is 2,500 hours a year, equivalent to 1.2 full time jobs. Among

CHAPTER ONE: KEY POINTS

- 9.2 million working families in America are low-income.
- Twenty million children live in low-income families.
- The percentage of American families in poverty has not changed in three decades.
- The percentage of working families that are low-income varies significantly among the states, from 15 percent in two states to more than 35 percent in seven states.

low-income working families headed by a married couple, average annual work effort is 2,850 hours, equivalent to 1.4 full-time jobs. And among single female-headed working families, the average annual work effort is 2,050 hours, equivalent to one full-time job. In half of the low-income working families headed by married couples, both spouses worked in the past year. Even among poor families, 46 percent work. (In this report “poor” refers to families living below the official poverty threshold.)

In contrast to the notion that low-income Americans are disproportionably young and most will “age out” of their economic straits, nearly all low-income and poor working families have a parent between 25 and 54, considered the prime working age range.⁴

The term low-income does not fully describe the wide gulf that separates these families from those that earn more. The bottom-earning fifth of working families (with an average income of \$18,700) collects only 5 percent of all the income working families earn. In contrast, the middle-earning fifth of families (with an average income of \$56,100) collects 16 percent; the top-earning fifth (with an average income of \$158,100) takes in 46 percent.⁵

We hope that economic growth can reduce the number of low-income workers and families in the country. However, that scenario has a whiff of the mythic. Statistics show that despite the economic prosperity of the 1980s and 1990s, the percentages of families in poverty during the first years of the 21st century are not appreciably different from those in the 1970s.⁶

A study by the Boston Federal Reserve Bank also raises troubling questions about economic opportunities. The 2002 report indicates that during the 1990s, less than half of low-wage families advanced into the middle class, fewer than those that made the same transition in the 1970s. “These findings suggest that those who are concerned about the future for families at the lower rungs of the income ladder may have cause to worry,”⁷ the report’s authors concluded.

Another study, published in 2004 by the Brookings Institution, followed all prime-age workers who earned less than \$12,000 annually between 1993 and 1995 to examine their economic mobility. The study found that only 27 percent consistently earned enough income six years later to lift a family of four out of poverty.⁸

There is an alarming disconnect between the increasing demand for a skilled, well-educated workforce, and the inadequate skills and education of the nation’s low-wage workforce. Overall, 3.2 million low-income working families – or 35 percent of all such families – have at least one parent who did not finish high school or obtain a General Equivalency Diploma (GED), the most basic building block for entry into the working world. By comparison, only 12 percent of working families that are not low-income have a parent who has not completed high school. Similarly, far more working families earning good incomes have parents with some post-secondary education than do low-income working families.⁹ (See Table One.)

TABLE ONE
CHARACTERISTICS OF LOW-INCOME WORKING FAMILIES
COMPARED WITH OTHER WORKING FAMILIES

Number and percent of working families with selected characteristics, 2002

	Working families BELOW 200 percent of poverty level		Working families ABOVE 200 percent of poverty level	
	Number	Percent	Number	Percent
At least one parent does not have a high school diploma	3,202,172	34.8	2,939,310	12.1
At least one parent has some post-secondary education	3,907,410	42.4	18,617,163	76.4
Spend more than a third of income on housing	4,615,876	51.9	2,494,609	10.4
At least one parent without health insurance	3,382,083	36.7	2,066,278	8.2

Source: American Community Survey and Current Population Survey, U.S. Census Bureau. Note: Figures for health insurance are annual average for 2001 to 2003.

FINANCIALLY PRESSED FAMILIES

There are high costs to being poor, costs that middle-class and affluent families feel less acutely. Many low-income residents in urban areas must pay far higher automobile insurance rates than families in less dense areas. And many grocery stores and other businesses have fled less affluent neighborhoods, leaving residents to rely on more expensive convenience stores. Similarly, the absence of public transit in rural areas leads to higher transportation costs for low-income families.

Housing consumes a major share of the income of low-income working households. One guideline holds that housing costs should not absorb more than a third of a family's income. However, 52 percent of low-income families spent more than that on housing in 2002. For working families who officially live in poverty, three-quarters must spend more than a third of their income on a place to live.¹⁰

Complicating matters is the fact that these working parents disproportionately lack health insurance. In all, nearly 37 percent of low-income working families – a total of 3.4 million – had at least one parent not covered by health insurance.¹¹ In many cases, these parents have jobs that do not provide medical insurance, and yet they earn too much money to qualify for government-funded coverage. Among working families living in poverty, the problem was even worse: almost half of these families include a parent without health insurance.

Other factors also weigh heavily on the working poor. More than four out of 10 low-income working families do not receive paid parental leave from their employers to deal with family issues and emergencies, according to a 2004 Urban Institute study. By comparison, 83 percent of parents with incomes above the low-income category receive some paid parental leave. “Without ample work supports, including job-protected leave, many low-income workers may be unable to keep their ties to the labor market in the event of a family crisis, or even just a sick child,” notes Katherin Ross Phillips, author of the study.¹²

Similarly, quality and affordable child care is a daily challenge for low-income working families. The National Women's Law Center notes, “Only one in seven children eligible for federal child care now receive help” and “two-thirds of poor working families headed by single mothers spent at least 40 percent of their income on child care.”¹³

Finally, state and local taxes often fall heavily on low-wage earners. Families in the bottom fifth in earnings pay 11 percent of their income in state and local taxes, compared with the 7 percent that the top-earning fifth of families pay.¹⁴

THE DEMOGRAPHICS OF LOW-INCOME WORKING FAMILIES

Nearly 39 million Americans live in low-income working families. This includes 20 million children under the age of 18, six million of whom live officially in poverty. Nationally, nearly one-third of all children in working families are low-income. Married parents head the majority – 53 percent – of low-income working families. Single women head 38 percent, and single men head the remaining 9 percent.

Workers in these families hold down a wide range of jobs and responsibilities. One out of 10 works as a cashier, health care aide or truck driver. Another 10 percent work as maids, housekeepers, cooks, janitors or secretaries. Many work caring for children, in retail positions, waiting tables or as laborers. For poor families, a fifth

of workers are employed in five jobs: cashier, housekeeper, health aide, cook or waiter/waitress.¹⁵

The low-income workers come in all races and ethnicities, but they are disproportionately African-American, Hispanic or another minority group. (For the purposes of this report, “minority” means non-white and/or Hispanic.) Fifty-three percent of low-income working families – almost five million – include a minority parent. Sixty-one percent of working poor families have a minority parent.

Among all working families, those with a minority parent are more than twice as likely to be low-income as white working families (41 percent compared with 20 percent). Of working families with an Hispanic parent, 46 percent are low-income; for families with an African-American parent, the figure is 43 percent.¹⁶



UNEVEN CONDITIONS FROM STATE TO STATE

While every state has significant numbers of low-income working families, Table Two shows that the presence of these families varies significantly from state to state, as do the conditions in which they work and live.¹⁷

Connecticut and Massachusetts, two relatively wealthy states, have the smallest percentage of all working families – less than 15 percent – who are low-income. By comparison, in Mississippi, more than four out of 10 working families are low-income.¹⁸

Almost one-third of children of working adults live in low-income conditions. In nine states, the number rises to more than 40 percent.

Nationally, four out of 10 working families with a minority parent are low-income. However in seven states, more than half of minority working families are low-income.¹⁹

In terms of the educational attainment of parents in low-income working families, the figures again fluctuate from state to state. In California, 54 percent of low-income working families have a parent who did not finish high school and had not obtained a GED, the highest percentage in the country. The lowest is in North Dakota, where only 9 percent of those families have a parent who had not completed high school.

Nationally, 37 percent of low-income working families have at least one parent without any health insurance. That figure soars above 50 percent in Texas and New Mexico. By comparison, slightly more than 10 percent of low-income working families in Wisconsin do not have health insurance for a parent.²⁰

Housing eats up more than a third of the household income for most low-income working families. In such states as Connecticut and Nevada, almost three-quarters of low-income working families must spend more than one-third of their income on housing.

As for taxes, in many states low-income working families pay between 9 percent and 11 percent of their income on state and local taxes, a higher percentage than that paid by the highest earners. Such taxes swell to 13 percent or more of income for low-income working families in five states, including Washington, which has the highest take at 18 percent.²¹ ■

TABLE TWO

CHARACTERISTICS AND CONDITIONS OF LOW-INCOME WORKING FAMILIES IN THE STATES

This table shows various factors concerning the nation's low-income working population on a state-by-state basis. It also compares educational attainment, local tax burden and housing expenditures for low-income workers in all 50 states. In each case, the chart lists the specified data for each state and then ranks the states on how they compare with each other.

Sources: American Community Survey (ACS) 2002, U.S. Census Bureau, except a) Income Paid by Lowest Quintile Families to State and Local Taxes: Institute on Taxation and Economic Policy, 2002; and b) Low-Income Working Families with Parent without Health Insurance: Current Population Survey (CPS) 2001-2003, U.S. Census Bureau.

Definitions:

Family: Primary married-couple or single parent family with at least one child under age 18 present in the household.

Working family: All family members age 15 and older either have a combined work effort of 39 weeks or more in the prior 12 months OR all family members age 15 and older have a combined work effort of 26 to 39 weeks in the prior 12 months, and one unemployed parent looked for work in the prior four weeks.

Minority working family: Working family with at least one parent not identified as white and non-Hispanic.

Low-income working family: Working family with income less than 200 percent of the poverty threshold.

Note on Rankings:

For variables with percent estimates derived from the ACS or CPS, rankings are based on closest whole number, except for Income Disparity. The state with the best outcome or condition is ranked No. 1, followed in order by the other states.

N.R. = No ranking

	EXTENT OF PROBLEM					
	Working Families that are Low-Income		Children of Working Adults in Low-income Working Families		Working Families Income Disparity: Total Income of Top Quintile/Bottom Quintile	
	Percent	Rank	Percent	Rank	Ratio	Rank
Alabama	34.7	43	39.5	40	8.0	40
Alaska	15.6	3	19.4	4	5.7	1
Arizona	33.0	41	40.7	43	7.1	17
Arkansas	31.9	38	38.2	38	6.4	4
California	29.6	32	36.1	35	9.3	48
Colorado	23.4	11	26.8	12	7.4	24
Connecticut	14.6	1	16.5	1	9.4	49
Delaware	18.6	9	22.8	9	6.6	8
District of Columbia	31.9	N.R.	37.5	N.R.	13.6	N.R.
Florida	31.0	33	36.6	37	8.5	43
Georgia	29.4	30	33.7	30	8.4	41
Hawaii	23.6	16	27.7	16	7.8	35
Idaho	35.6	45	41.7	45	6.9	13
Illinois	23.0	11	26.9	12	8.5	44
Indiana	26.0	20	31.0	24	6.8	11
Iowa	26.9	25	30.5	19	6.5	5
Kansas	28.5	28	32.1	28	7.4	26
Kentucky	30.9	33	34.2	30	7.6	28
Louisiana	38.2	47	44.5	48	8.9	46
Maine	23.2	11	25.6	11	6.8	12
Maryland	17.1	5	19.5	5	8.0	39
Massachusetts	14.8	1	16.9	2	8.0	38
Michigan	25.0	18	29.4	17	7.1	15
Minnesota	18.0	7	21.9	8	6.6	7
Mississippi	42.5	50	49.0	50	7.1	18
Missouri	26.2	20	29.6	19	7.3	23
Montana	36.3	45	41.0	43	7.5	27
Nebraska	26.0	20	30.5	19	7.2	20
Nevada	31.5	33	39.0	40	7.6	30
New Hampshire	16.1	3	18.2	3	7.0	14
New Jersey	17.4	5	20.6	6	8.5	42
New Mexico	39.5	49	45.7	49	8.7	45
New York	26.5	20	31.2	24	9.9	50
North Carolina	32.4	38	37.5	38	7.9	37
North Dakota	28.2	28	30.3	19	6.7	10
Ohio	26.2	20	30.8	24	7.4	25
Oklahoma	35.2	43	41.7	45	7.2	19
Oregon	29.5	30	34.7	33	7.7	33
Pennsylvania	23.0	11	26.5	12	7.3	22
Rhode Island	18.2	7	20.8	6	7.7	34
South Carolina	30.9	33	33.9	30	7.6	29
South Dakota	31.6	38	36.4	35	7.9	36
Tennessee	30.7	33	35.0	33	7.7	31
Texas	34.3	42	40.3	42	9.2	47
Utah	26.6	25	31.5	28	6.2	3
Vermont	24.4	16	28.5	17	6.0	2
Virginia	21.3	10	24.9	10	7.7	32
Washington	25.0	18	29.6	19	7.3	21
West Virginia	38.4	47	43.8	47	7.1	16
Wisconsin	22.8	11	27.2	12	6.7	9
Wyoming	26.7	25	31.0	24	6.5	6
United States	27.4		32.3		8.4	

	CHARACTERISTICS						CONDITIONS					
	Minority Working Families that are Low-Income		Non-Minority Working Families that are Low-Income		Low-Income Working Families w/Parent w/o High School Degree		Income Paid by Lowest Quintile Families to State and Local Taxes		Low-Income Working Families w/Housing Cost more than 1/3 Income		Low-Income Working Families w/Parent w/o Health Insurance	
	Percent	Rank	Percent	Rank	Percent	Rank	Percent	Rank	Percent	Rank	Percent	Rank
Alabama	52.0	47	27.4	43	32.5	36	10.6	26	36.8	5	32.3	24
Alaska	18.4	2	14.2	7	12.9	2	3.8	1	54.5	36	37.8	37
Arizona	46.6	37	20.7	22	42.1	47	12.5	43	53.6	35	39.9	39
Arkansas	48.7	42	26.4	40	35.6	43	10.7	29	34.3	1	43.7	45
California	39.3	21	13.4	5	53.7	50	11.3	31	61.3	40	42.8	43
Colorado	41.3	22	15.3	9	40.2	45	9.9	14	62.7	45	39.3	38
Connecticut	28.8	8	9.4	1	25.8	20	10.2	21	73.2	49	27.2	13
Delaware	28.1	6	14.5	7	33.0	36	4.7	2	45.4	17	18.8	4
District of Columbia	39.0	N.R.	4.3	N.R.	39.7	N.R.	8.4	N.R.	42.6	N.R.	19.7	N.R.
Florida	42.7	27	21.3	22	31.4	30	14.4	49	61.4	40	41.2	40
Georgia	44.0	30	19.4	16	35.0	41	11.9	39	48.1	26	36.4	32
Hawaii	24.8	5	18.9	16	24.9	18	12.6	44	51.8	34	17.2	2
Idaho	50.8	45	33.2	48	26.2	20	9.7	13	46.5	19	42.1	42
Illinois	36.0	15	15.5	12	34.2	40	13.1	47	55.7	37	33.2	25
Indiana	41.2	22	23.2	28	31.7	33	11.7	37	41.8	12	28.6	18
Iowa	46.5	37	25.2	37	16.7	7	10.6	26	37.0	5	25.9	12
Kansas	47.0	37	23.8	32	19.8	10	11.5	32	43.7	16	31.2	21
Kentucky	43.1	27	29.2	45	30.9	30	9.8	14	35.1	3	33.8	28
Louisiana	58.4	49	24.1	32	31.8	33	11.5	36	42.0	12	44.9	47
Maine	29.5	9	22.1	25	16.4	3	10.0	17	47.9	26	27.8	14
Maryland	23.8	4	12.3	4	27.0	23	9.4	11	63.3	45	27.6	14
Massachusetts	33.5	11	9.7	2	23.9	16	9.3	9	67.2	47	19.2	4
Michigan	35.3	13	22.1	25	22.5	13	13.3	48	50.9	31	30.8	21
Minnesota	36.7	16	15.2	9	22.1	13	10.5	25	56.0	37	22.5	7
Mississippi	62.6	50	28.2	44	37.7	44	10.0	17	38.5	9	37.4	35
Missouri	38.1	18	23.8	32	30.1	29	9.9	14	44.8	17	30.5	20
Montana	44.9	32	35.0	49	18.4	8	6.1	3	40.3	10	41.0	40
Nebraska	41.4	22	23.4	28	20.5	10	10.2	21	43.0	14	25.0	8
Nevada	44.7	32	19.7	19	40.2	45	8.3	7	72.8	49	33.6	28
New Hampshire	17.3	1	15.0	9	30.9	30	8.1	6	51.4	31	30.8	21
New Jersey	28.0	6	9.9	2	27.3	23	12.4	42	71.4	48	35.6	32
New Mexico	50.2	44	20.3	19	41.8	47	12.1	41	40.0	10	50.6	49
New York	38.3	18	18.0	14	35.5	41	12.6	44	58.7	39	34.2	28
North Carolina	48.5	42	24.1	32	32.6	36	10.6	26	46.4	19	33.5	25
North Dakota	44.9	32	26.4	40	8.7	1	10.2	21	34.1	1	25.0	8
Ohio	41.3	22	23.2	28	21.4	12	10.9	30	46.9	23	27.5	14
Oklahoma	45.9	36	30.7	47	32.2	33	12.0	40	37.5	8	48.1	48
Oregon	43.1	27	25.5	40	27.4	23	9.4	11	60.7	40	36.9	35
Pennsylvania	35.2	13	20.4	19	22.9	15	11.4	32	45.8	19	25.2	8
Rhode Island	36.9	16	12.9	5	26.1	20	13.0	46	48.2	26	19.5	4
South Carolina	48.1	40	20.8	22	27.9	26	7.9	5	50.0	30	28.8	18
South Dakota	53.3	48	30.0	46	15.7	3	10.0	17	43.0	14	28.1	14
Tennessee	51.0	45	24.8	37	33.1	36	11.7	37	47.5	26	25.4	8
Texas	47.8	40	17.8	14	49.2	49	11.4	32	46.5	19	53.1	50
Utah	41.7	26	23.5	28	19.1	9	11.4	32	61.5	40	35.7	32
Vermont	17.8	2	23.6	32	16.2	3	10.0	17	47.3	23	18.3	3
Virginia	29.5	9	17.0	13	24.0	16	9.0	8	50.9	31	34.3	28
Washington	34.2	12	21.9	25	28.4	26	17.6	50	61.0	40	32.8	25
West Virginia	45.3	32	37.9	50	25.4	18	9.3	9	36.9	5	42.5	43
Wisconsin	43.7	30	18.9	16	27.6	26	10.2	21	46.6	23	12.4	1
Wyoming	37.8	18	25.0	37	16.2	3	7.6	4	34.6	3	43.9	45
United States	40.9		20.0		34.8		11.4		51.9		36.7	

A CHALLENGING ENVIRONMENT FOR LOW-INCOME WORKERS

This section examines the economic conditions confronting low-income working families and describes an emerging economic future that is complicated and not particularly encouraging for them. An increasing demand for educated and skilled workers combined with the globalization of work is intensifying the competition for low- and middle-income jobs, and broadening obstacles to low-wage workers seeking to advance.

UNDERPAID AND UNDEREMPLOYED

It is a fundamental reality that our economic system allows millions of Americans to work and yet remain in poverty. In 2002, one in five jobs in the United States was in an occupation that paid a median wage less than \$8.84 an hour.²² That wage translates into annual income of \$18,387 – roughly the federal

poverty threshold for a family of four. More than half of parents working as housekeepers, cooks, waiters, cashiers and health aides live in low-income families.

From state to state and region to region, the economic environment for low-income workers varies noticeably. (See Table Three, p. 16, for state-by-state comparisons in three key economic measures.) In 11 states, more than 30 percent of all jobs are in occupations with a median wage that falls below the federal poverty threshold for a four-person family. By comparison, in three states and the District of Columbia, fewer than 10 percent of jobs pay a poverty-level wage.²³

As shown in Chart One, the current federal minimum wage of \$5.15 per hour no longer ensures that a full-time worker can keep a three-person family out of poverty. In 1968, the annual earnings of a full-time

worker in a minimum-wage job equaled 120 percent of the poverty threshold for a family of three, its highest ratio ever. In 2003, annual earnings at the minimum wage stood at only 74 percent of the poverty threshold.²⁴

Not only does the economic environment fail to provide wages above the poverty threshold for all those that work full-time, it does not provide jobs for all who want to work. The unemployment rate masks substantial hidden unemployment and underemployment. Research indicates that for every 100 people who are officially unemployed, another 70 to 80 would take a job if one were offered, or want a full-time job but can obtain only part-time work. While the official unemployment rate was 4 percent in 2000, the rate of labor underutilization was 7 percent.²⁵

Across the country, the percentage of workers under-utilized or not fully employed varies from state to state, from a low of 6.5 percent in Virginia to a high of 13.8 percent in Oregon.²⁶ For workers who have joined the ranks of the unem-

CHAPTER TWO: KEY POINTS

- Twenty percent of American jobs pay less than \$8.84 an hour, a poverty-level wage for a family of four.
- A full-time job at the federal minimum wage of \$5.15 an hour cannot keep a family of three out of poverty.
- Education pays. In the last 30 years, real wages for workers who do not have a high school degree declined 19 percent and increased 16 percent for workers who have a college degree.

ployed, the availability of unemployment insurance — a key financial lifeline — also partly depends on how states determine who is eligible. Nationally, 58 percent of the unemployed do not collect unemployment insurance, a figure that ranges among the states from 29 percent to 73 percent.²⁷

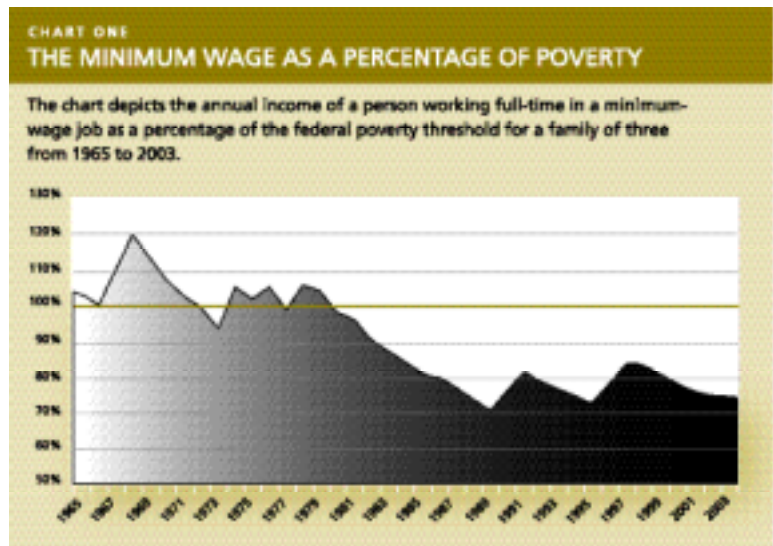
INCREASING DIFFICULTIES IN A CHANGING ECONOMY

Far-reaching economic changes challenge the ability of low-income working parents to provide for their families and gain financial security. On the one hand, the economy increasingly demands and rewards educated, skilled and technologically literate workers. Between 1960 and 2003, the proportion of the workforce in managerial, professional and technical jobs rose from 22 to 34 percent. On the other hand, the proportion of jobs that require relatively little education and pay well enough to support a family has declined substantially.²⁸ The share of jobs held by production workers, material movers, miners, and construction workers fell from 44 to 23 percent between 1960 and 2003.²⁹

Moreover, in real terms, the earnings for educated, skilled workers have risen while those of less educated workers have declined. In the last 30 years, workers without a high school degree experienced an 18.5 percent decline in real wages; those with a college degree experienced an increase of 15.9 percent.³⁰ Today, a college graduate earns on average \$45,400 a year, while a high school graduate earns an average of \$25,900. A high school dropout earns on average \$18,900.³¹

The benefits of higher education are not limited to those who get a bachelor's degree or higher. A two-year degree from a community college can boost earnings significantly. Even those who have taken some college courses without getting a degree can earn 5 percent to 11 percent more than high school graduates.³²

Without the proper skills, training and education, many American workers cannot share this nation's prosperity. Speaking before Congress in June 2004, Federal Reserve Chairman Alan Greenspan expressed concern about the growing earnings gap between highly educated workers and those with less education and fewer skills. "It's a problem caused basically by our skill mix not keeping up with the technology that our capital stock



Source: U.S. Census Bureau and U.S. Department of Labor



Source: "The Big Payoff: Educational Attainment and Synthetic Estimates of Work-Life Earnings" by Jennifer Chayresen Day and Eric C. Newburger, U.S. Census Current Population Reports, July 2002.

TABLE THREE

A LOOK AT ECONOMIC CONDITIONS IN THE STATE

This table includes data on the numbers of poverty-wage jobs, workers not fully employed or under-utilized, and those who are unemployed but not getting unemployment insurance benefits. In each case, the table lists the specified data from each state and then ranks the states on how they compare with each other.

Sources: Jobs Paying Below Poverty Threshold: Occupational Employment Statistics 2002, U.S. Bureau of Labor Statistics; Workers Not Fully Employed: Current Population Survey 2003, U.S. Census Bureau; Unemployed Not Receiving Unemployment Insurance Benefits: Office of Workforce Security, first quarter 2004, U.S. Department of Labor.

Definitions:

Jobs Paying Below Poverty Threshold: Occupation with median pay less than \$18,392 annually or \$8.84 an hour in 2002.

Not fully employed: Unemployed + marginally employed + part-time due to economic reasons.

Note on rankings:

Rankings are based on closest whole number, except for Workers Not Fully Employed. The state with the best outcome or condition is ranked No. 1, followed in order by the other states.

N.R. = No ranking

	Jobs Paying Below Poverty Threshold		Workers Not Fully Employed		Unemployed Not Receiving Unemployment Insurance Benefits	
	Percent	Rank	Percent	Rank	Percent	Rank
Alabama	30.9	40	9.0	19	70.0	45
Alaska	7.0	1	13.4	49	29.0	1
Arizona	27.0	36	9.2	25	70.0	45
Arkansas	36.3	50	10.6	38	54.0	20
California	16.0	8	11.4	46	57.0	23
Colorado	13.4	4	10.0	33	71.0	47
Connecticut	9.3	3	9.8	30	39.0	7
Delaware	19.7	23	7.0	3	35.0	3
District of Columbia	5.9	N.R.	10.6	N.R.	67.0	N.R.
Florida	29.9	39	9.1	22	71.0	47
Georgia	26.0	34	7.7	10	60.0	31
Hawaii	19.3	20	8.7	15	57.0	23
Idaho	27.1	36	10.2	36	38.0	5
Illinois	17.8	13	10.6	38	51.0	16
Indiana	17.7	13	8.3	12	58.0	27
Iowa	24.4	29	7.4	7	50.0	14
Kansas	22.6	28	9.1	22	58.0	27
Kentucky	24.7	32	9.8	30	62.0	35
Louisiana	35.3	48	10.4	37	71.0	47
Maine	19.1	16	9.1	22	57.0	23
Maryland	19.3	20	7.3	6	60.0	31
Massachusetts	7.6	2	8.8	17	37.0	4
Michigan	18.7	16	12.0	47	45.0	11
Minnesota	15.8	8	8.6	14	50.0	14
Mississippi	33.6	45	10.9	42	66.0	39
Missouri	24.1	29	8.7	15	52.0	19
Montana	33.4	43	9.5	28	43.0	10
Nebraska	23.7	29	7.2	5	57.0	23
Nevada	18.8	16	9.5	28	51.0	16
New Hampshire	18.3	13	7.0	3	66.0	39
New Jersey	13.4	4	8.8	17	38.0	5
New Mexico	33.5	45	10.8	41	68.0	41
New York	17.1	10	10.0	33	61.0	34
North Carolina	22.4	26	10.9	42	58.0	27
North Dakota	33.4	43	7.5	8	46.0	12
Ohio	19.5	20	10.1	35	60.0	31
Oklahoma	30.6	40	9.0	19	68.0	41
Oregon	14.8	6	13.8	50	55.0	21
Pennsylvania	21.1	24	9.0	19	34.0	2
Rhode Island	18.6	16	8.5	13	48.0	12
South Carolina	26.5	34	10.9	42	63.0	36
South Dakota	33.6	45	6.6	2	69.0	44
Tennessee	24.6	32	9.3	27	63.0	36
Texas	28.6	38	11.2	45	73.0	50
Utah	21.3	24	9.9	32	68.0	41
Vermont	16.9	10	7.7	10	40.0	8
Virginia	21.8	26	6.5	1	65.0	38
Washington	15.4	6	12.6	48	51.0	16
West Virginia	35.3	48	10.6	38	55.0	21
Wisconsin	17.4	10	9.2	25	40.0	8
Wyoming	30.9	40	7.6	9	58.0	27
United States	20.4		9.9		58.0	

requires,” he said. He called the earnings gap a structural problem “that can be and must be addressed, because I think that it’s creating an increasing concentration of incomes in this country and, for a democratic society, that is not a very desirable thing to allow to happen.”³³

Recent years have also seen a major restructuring of the economy and the loss of well-paying jobs in certain industries, with manufacturing hit the hardest. In much of the country, manufacturers have closed factories, wiping out jobs that often offered the clearest path to middle-class prosperity for workers without much education. Despite the recent economic expansion, manufacturing jobs continue to shrink. Between June 1998 and June 2004, almost one in five manufacturing jobs disappeared.³⁴

Why? Good manufacturing and other middle-income jobs are being lost through a combination of improved productivity and the globalization of work. Consider the automobile industry, which has provided solid wages and benefits to workers for generations. In the past four years, an estimated 133,000 auto parts jobs, or 16 percent of the total, have been lost in this country, either because of improved productivity or through the outsourcing of jobs to other countries.³⁵

NATIONAL COMPETITIVENESS

Low skill levels in the workforce hurt workers and the nation’s international competitiveness. The strength of America’s economy depends on our ability to fill jobs that require advanced knowledge and skills.

Domestic labor market realities exacerbate the problem. Overall growth in the workforce has been slowing, and projections show it will continue to do so. While the number of workers with more than a high school education is growing, that pool is not expanding enough to keep pace with the demand for more skilled workers.³⁶ And in the future, more American workers will be foreign-born, with disproportionately lower levels of education and skills. In the face of these various trends, the nation could face a shortage of well-educated workers.

A recent Aspen Institute study warned of major economic problems if the nation does not come to grips with gaps in workers, skills and wages. “Ignored, these three problems will threaten our productivity and growth, our international competitiveness, and, potentially, even our very cohesiveness as a nation...Labor and skill shortages both hurt industry and increase the gap between the haves and have-nots,” the author wrote.³⁷

Clearly, responding to these challenges to maintain a competitive economy requires commitment and focus by federal and state governments. State governments cannot do it alone, particularly not on the heels of the most severe budgetary crisis in six decades.³⁸ While states can strengthen existing policies, few have been willing to expand programs or launch major new ones. At the same time, the issues affecting low-income working families and the economy are only growing more pronounced. ■

■

The earnings gap between highly educated workers and those with less education and fewer skills is “a problem caused basically by our skill mix not keeping up with the technology that our capital stock requires.” It is a structural problem “that can be and must be addressed, because I think that it’s creating an increasing concentration of incomes in this country and, for a democratic society, that is not a very desirable thing to allow to happen.”

Federal Reserve Chairman
ALAN GREENSPAN
June 2004

STRENGTHENING THE COMMITMENT TO LOW-INCOME WORKING FAMILIES

As we look at improving opportunities for low-income families, much of the responsibility rests with individual wage earners; without hard work and ambition, they have little chance of reaching economic security. But the social contract poses an obligation on everyone. Through government investments and policies, the public can and should assist workers striving to better themselves and their families.

CHAPTER THREE: KEY POINTS

- Decent wages and benefits result in low-income workers staying employed longer, increasing productivity and reducing taxpayer cost.
- Programs that invest in low-income workers, such as the Earned Income Tax Credit (EITC) and aid for post-secondary education, can help them achieve economic self-sufficiency.
- The federal commitment to these programs is inadequate.
- State efforts to address the needs of low-income families differ substantially.

THE COST OF LOW WAGES

In her 2003 book, “The Betrayal of Work,” Beth Shulman argues that low-wage jobs damage us all, with costs to children, families, communities, the economy and even our democracy. Low-wage work, she notes, erodes our basic values of personal responsibility, hard work and perseverance, and sends the message that work does not pay.³⁹ Shulman writes that the impact on children of low-income working families is of particular concern. She notes that “high school children from low-income families who had high scores on standardized tests were less likely to attend college than all students from the top income group.”⁴⁰

While some argue that addressing such problems by raising wages will stifle economic growth, others find little evidence of such an impact and point out that increased wages and benefits can prove positive for both workers and society. Isabel Sawhill and Adam Thomas conclude that policies that “enhance the value of work,” such as the minimum wage, the Earned Income Tax Credit (EITC) and child care assistance, “provide incentives for people to help themselves, thereby delivering a bigger bang for the taxpayer’s buck.”⁴¹

Workers in jobs with benefits such as health care and paid vacation are more likely to stay employed. One report found that workers in full-time jobs that provide health insurance have an 80 percent chance of working 18 consecutive months; workers without insurance have a 52 percent chance of staying employed that long.⁴² Workers who are offered paid vacations tend to stay employed significantly longer than those in jobs that do not.⁴³ Similarly, workers who use formal child care arrangements stay in a job longer and work more than do parents who leave their children with relatives.⁴⁴

Higher wages and adequate benefits also can be good for business. *BusinessWeek* finds that in paying employees higher wages than its competitors, the national retailer Costco has lower turnover and higher productivity, key contributors to the company’s overall success. Costco Chief Executive James D. Sinegal says: “We think it’s good business to hire good people and give them good jobs and good wages. They are the people who are going to run your business.”⁴⁵

The policy implication is clear: Jobs with good pay and benefits are good for both workers and employers.

THE BENEFITS OF PUBLIC INVESTMENT FOR LOW-INCOME WORKERS

Government can craft policies to benefit low-income workers and their families, policies that can often mean the difference between mere subsistence and economic self-sufficiency.

The federal EITC has provided crucial help to millions of low-wage workers in the country. The program enjoys wide, bipartisan support for good reason. It rewards work and efficiently targets those workers most in need of tax relief. A recent Federal Reserve report said, “An armful of studies has shown that the EITC has had a large, positive effect on reducing welfare use and increasing employment among single parents.”⁴⁶

Similarly, study after study has documented the financial payoff that comes with encouraging low-income working families to invest in post-secondary education. College education has always translated into higher average earnings. However, the difference between those who continue with post-secondary education and those who do not has grown more pronounced in the last quarter century.⁴⁷ The benefits of post-secondary education are significant particularly for workers whose parents did not go to college.⁴⁸

In California, a recent study found that for welfare participants who attend community college, the more college they attend, the more they earn. Earnings increased for all recipients who attended college, even those who did not have a high school diploma before entering community college; the highest increase was for those in vocational training programs.⁴⁹

More research is needed to explore the connection between traditional approaches to adult education and greater employment and higher earnings. We do know that adults who lack a high school credential and take adult education classes are more likely to go on to post-secondary education (albeit it in small numbers).⁵⁰ A growing body of literature calls for new approaches to adult education and literacy that link adult education to career development, skills training and the labor market needs of business. Known as contextualized learning, these innovative programs, while small in number, are showing promise.⁵¹

Not all workers would be well-served by post-secondary education, or in some cases even a high school credential. However, some job training programs have generally proven to be cost-effective in improving skills among the nation’s less educated workers.⁵² Although program quality and results are uneven, studies have doc-

MAINE: MAKING EDUCATION MORE ACCESSIBLE

Traditional approaches to post-secondary and adult education do not always work well for low-income participants. Given that education and skills can reliably lead to higher incomes, efforts are under way to find new, better ways to serve non-traditional students.

In 1997, Maine established the Parents as Scholars (PaS) program. Each year, the program helps between 800 and 1,000 welfare-eligible parents work toward two- and four-year degrees. It is geared to students who lack the skills to earn a decent living. Bucking the “work first” emphasis of the federal 1996 welfare reform legislation, Maine specifically designed the program to serve welfare recipients. State officials recognize that recipients stand a significantly better chance of permanently leaving public assistance and becoming financially secure with a post-secondary education.

The program provides support services to participants while they are in school. Participants continue to receive cash benefits and have access to child care, transportation and other services they need to stay in school. PaS does not provide tuition assistance except in limited circumstances, as participants can receive other sources of financial aid.

Preliminary program assessments suggest that PaS participants can succeed at post-secondary education, gain employment after graduation, and earn wages that can lead to economic self-sufficiency. In addition, many children of PaS participants improve their own school performance and look forward to college themselves. More rigorous research is needed to firmly document these benefits. ■

umented that these workers can increase their earnings by between 10 percent and 156 percent, compared with similar workers who do not go through training.⁵³ And the most successful welfare-to-work programs increase employment and earnings by combining employment-focused services with training and other post-secondary education.⁵⁴ A study of prisoners who participated in education and job training programs found their recidivism rate dropped by 29 percent and that they had higher earnings than non-participants.⁵⁵

Moving former welfare recipients and other low-income workers from poverty to income approaching \$30,000 annually is not easy. Success “will depend primarily on their ability to acquire the skills to increase what they contribute to companies,” said Ron Haskins of the Brookings Institution.⁵⁶ Typically, however, these workers are the least able to afford post-secondary education and specialized skill training, and companies are reluctant to invest in them. Most analysts agree that more innovative and effective approaches are needed to help these workers gain the skills to advance to good-paying jobs.

Appropriately designed economic development efforts also can benefit low-wage workers. However, current trends in the use of economic development incentives give some cause for concern. A 2004 report by the Washington, D.C., advocacy group Good Jobs First found that state and local governments have offered more than \$1 billion in economic development subsidies to attract Wal-Mart to local communities, in the form of subsidies for land, infrastructure assistance, tax increment financing, tax breaks and sales tax rebates. However, the study concludes, rather than increasing overall business activity in a local region, the low-wage retailing giant actually drives local companies out of business and destroys more jobs than it creates.⁵⁷

Such results should be a sobering reminder to policy-makers to clearly determine the goals and benefits expected from public investments, keeping in mind the crucial importance of promoting financial self-sufficiency. Outcomes from the national 1996 welfare reform act provide a good example. While the federal government has shown that it can get welfare recipients off the rolls and into jobs, economist Harry Holzer notes in a Brookings brief that “most former welfare recipients continue to be poor or near poor, even after entering the labor market, and their prospects for escaping poverty or near-poverty in the foreseeable future seem low.”⁵⁸ Unfortunately, the 1996 legislation did not declare helping participants achieve economic self-sufficiency an explicit goal. Thus, while many former recipients are indeed employed, they now likely have joined the ranks of low-income working families and remain in precarious financial straits.



AN INADEQUATE FEDERAL COMMITMENT

Two related warning signals are sounding loudly and urgently. First, millions of American families are living on incomes that inadequately meet their basic needs, a situation that strains our sense of fairness and represents needless waste of human capital. Second, our economic structure faces a major challenge: finding skilled and well-educated workers, without whom U.S. businesses will be hard-pressed to compete.

Despite these warnings, the federal government is not responding sufficiently. While the government has taken recent positive steps to strengthen the EITC and provide low-income children with health care, it has not adequately addressed the

education and skill needs of low-wage workers, raised the minimum wage since 1997, or fully met the child care needs of working families.

Consider the federal commitment to education and skills training. Those attempting to overcome the steepest obstacles are often parents leaving welfare. Yet, federal spending for education and training accounts for only 2 percent of all expenditures under the Temporary Assistance for Needy Families (TANF) program, a woefully inadequate sum and half of the amount spent a decade ago.⁵⁹ Between 1985 and 2003, the U.S. Department of Labor reduced its inflation-adjusted spending on worker training by 29 percent; the number of adults trained fell from 163,233 in 1998 to only 72,322 in 2001.⁶⁰ And the federal government has largely stopped spending on education programs for prisoners, in effect depriving them of a key tool for re-entering society.

Federal Pell Grants are the most critical scholarship program for low-income students, including many parents juggling school, work and family. While inflation-adjusted funding for the Pell program has increased since 1990, demand for the grants has grown even more quickly, along with tuition and fees, thus reducing the value of the grant to a student. Today, a Pell Grant covers slightly more than 50 percent of the annual cost of a typical community college, which often still leaves higher education unaffordable for students from low-income families. In addition, the Pell program is geared toward traditional students; working adults seeking to go to school part-time typically are not eligible.



The federal government does not adequately measure the return on its investment in low-income working families. Three significant federal programs administered by the states – TANF, the Workforce Investment Act (WIA) and Adult Education – do not measure participants' earnings to see if they are advancing out of poverty or achieving economic self-sufficiency. The government fails to make data on the performance of federal programs readily available to the public, with the exception of the WIA Title I job training program. More broadly, the federal government has little data and information on the overall conditions of low-income working families, making it difficult to focus investments where they are most needed.

AN UNEVEN COMMITMENT FROM THE STATES

Many factors bear on a working family's ability to support itself. Crucial among those factors are public policies adopted by the state in which that family lives. States attempt to assist low-income working families through a variety of means, such as need-based financial aid for college, state minimum wage laws and medical assistance programs. The Working Poor Families Project has compiled indicators that paint a picture of each state's support for its low-income workers. The numbers make clear that those efforts vary considerably, and Table Four shows examples of the differences across the country.

As noted, the federal government provides assistance for financially pressed families to support post-secondary education. However, federal spending does not meet the entire need, leaving states to decide if and how to make up the difference. The data show that some states rely primarily on federal aid to cover almost the entire investment in need-based aid. Ten states contribute need-based scholarship

TABLE FOUR

STATE POLICIES AFFECTING LOW-INCOME WORKING FAMILIES

This table includes data on four indicators of state support for programs designed to assist working families and low-income workers, including data on need-based post-secondary aid, adult education, job training and eligibility for publicly supported health care. In each case, the chart lists the specified data for each state and then ranks the states on how they compare with each other.

Sources: State Support for Post-secondary Need-Based Aid as Percent of Federal Pell Grant Aid: Measuring Up 2004, National Center for Public Policy and Higher Education; State Adult Education Funds: U.S. Department of Education 2001-2002, and Adults without HS/GED from American Community Survey 2002; Unemployed WIA Adults Who Receive Training: Center for Law and Social Policy (analysis of FY 2002 WIA Participant Data); Medicaid Eligibility Criterion – Earnings as Percent of Poverty Threshold: Kaiser Commission on Medicaid and the Uninsured, 2003.

Definitions:

WIA: Workforce Investment Act.
 HS/GED: High School/general equivalency diploma

Note on Rankings:

The state with the best outcome or condition is ranked No. 1, followed in order by the other states.

N.A. = Not available
 N.R. = No ranking

	State Support for Post-secondary Need-Based Aid as Percent of Federal Pell Grant Aid		State Adult Ed Funds Per Adult w/o HS/GED		Unemployed WIA Adults Who Receive Training		Medicaid Eligibility Criterion - Earnings as Percent of Poverty Threshold	
	Percent	Rank	Dollars	Rank	Percent	Rank	Percent	Rank
Alabama	1.0	41	\$10.41	38	71.7	15	20.0	49
Alaska	0.0	45	\$41.25	16	79.2	11	81.0	23
Arizona	0.0	45	\$7.60	42	33.9	42	200.0	2
Arkansas	24.0	24	\$63.31	10	31.0	44	20.0	49
California	48.0	11	\$145.45	3	44.8	34	107.0	10
Colorado	41.0	13	\$5.54	48	51.5	27	47.0	37
Connecticut	44.0	12	\$136.57	4	56.7	23	107.0	10
Delaware	5.0	37	\$19.26	26	97.4	1	120.0	9
District of Columbia	N.A.	N.R.	\$29.49	N.R.	68.5	N.R.	200.0	N.R.
Florida	13.0	31	\$194.07	1	53.4	26	63.0	28
Georgia	1.0	41	\$5.60	47	76.8	13	59.0	33
Hawaii	0.0	45	\$32.32	20	66.7	17	100.0	12
Idaho	3.0	40	\$8.47	40	74.3	14	32.0	45
Illinois	78.0	7	\$14.88	33	46.1	32	83.0	22
Indiana	85.0	6	\$44.78	15	38.4	40	30.0	47
Iowa	36.0	15	\$50.23	13	48.0	29	84.0	20
Kansas	13.0	31	\$7.18	43	41.6	37	39.0	41
Kentucky	40.0	14	\$17.96	29	88.8	4	71.0	24
Louisiana	0.0	45	\$15.09	31	85.1	6	21.0	48
Maine	29.0	22	\$127.99	5	47.9	30	157.0	6
Maryland	33.0	20	\$18.45	28	25.3	46	41.0	40
Massachusetts	62.0	8	\$70.72	9	59.5	22	133.0	8
Michigan	36.0	15	\$193.55	2	36.3	41	61.0	31
Minnesota	87.0	2	\$124.42	6	39.8	38	275.0	1
Mississippi	1.0	41	\$5.65	46	31.2	43	36.0	43
Missouri	12.0	33	\$12.97	36	24.7	47	84.0	20
Montana	8.0	36	\$14.22	34	83.5	7	67.0	26
Nebraska	12.0	33	\$7.76	41	86.8	5	57.0	35
Nevada	0.0	45	\$4.10	50	42.6	35	88.0	18
New Hampshire	12.0	33	\$23.52	22	61.0	21	61.0	31
New Jersey	87.0	2	\$45.62	14	82.1	9	42.0	39
New Mexico	20.0	27	\$21.20	23	82.5	8	71.0	24
New York	90.0	1	\$35.25	19	17.1	50	150.0	7
North Carolina	34.0	19	\$40.84	17	79.2	11	59.0	33
North Dakota	4.0	39	\$18.58	27	19.9	48	94.0	17
Ohio	31.0	21	\$13.14	35	66.5	18	100.0	12
Oklahoma	16.0	29	\$5.69	45	38.6	39	46.0	38
Oregon	15.0	30	\$113.00	7	17.7	49	100.0	12
Pennsylvania	86.0	4	\$20.09	24	63.0	20	66.0	27
Rhode Island	21.0	26	\$28.97	21	67.0	16	192.0	3
South Carolina	23.0	25	\$35.67	18	54.5	25	98.0	16
South Dakota	0.0	45	\$10.47	37	45.0	33	63.0	28
Tennessee	18.0	28	\$6.45	44	47.7	31	100.0	12
Texas	36.0	15	\$4.63	49	27.6	45	34.0	44
Utah	5.0	37	\$59.13	12	91.3	2	53.0	36
Vermont	86.0	4	\$93.64	8	51.2	28	192.0	3
Virginia	35.0	18	\$9.75	39	65.7	19	31.0	46
Washington	59.0	9	\$62.98	11	56.7	23	86.0	19
West Virginia	28.0	23	\$15.04	32	90.3	3	39.0	41
Wisconsin	49.0	10	\$19.78	25	42.0	36	185.0	5
Wyoming	1.0	41	\$17.59	30	79.9	10	62.0	30
United States	40.0		\$58.99		40.5		71.0	

funds equal to 1 percent or less of the federal investment in those states. On the other hand, six states provide 85 percent or more of the federal contribution.⁶¹

States differ widely in their reported contributions to federally supported, state-administered adult education and literacy programs. These programs can be crucial to low-wage workers in improving their education and skills. However, 12 states contribute less than \$10 for each adult without a high school credential, while seven states commit more than \$100 per non-high school graduate, which arguably is still insufficient to address the need.⁶²

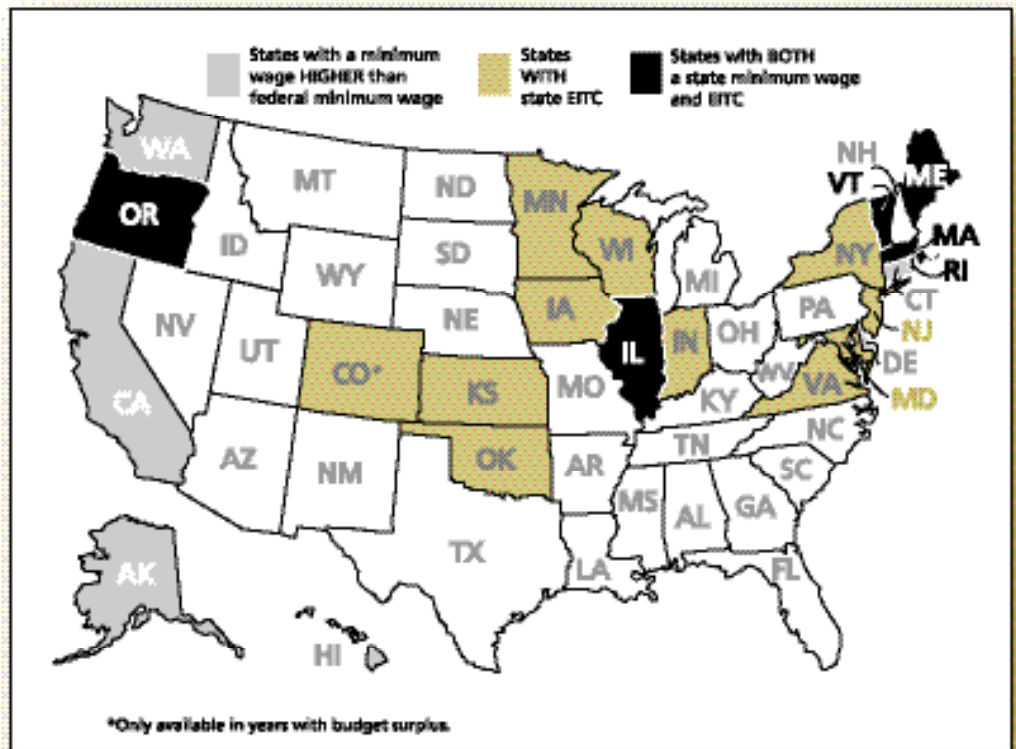
Similarly, there is a large difference in the number of unemployed adults who received training services across the states through the federally funded WIA program. In six states, more than 85 percent of unemployed WIA adults receive training, while in six states less than 30 percent get training.⁶³

Medicaid eligibility rules also give a sense of each state's commitment to helping low-income workers. In Arizona, Minnesota and the District of Columbia, a worker earning up to 200 percent of the federal poverty threshold is eligible for Medicaid health coverage.⁶⁴ Fourteen states restrict eligibility to those whose earnings are below 50 percent of the poverty threshold.

Tax and wage laws can have enormous impacts on low-income workers. Twelve states have adopted a minimum hourly wage higher than the federal minimum of \$5.15, the highest being Washington's \$7.16 per hour. Two states – Oregon and Washington – adjust their minimum wage annually for inflation.⁶⁵ And 17 states and the District of Columbia have adopted their own EITCs that supplement the federal one; they range in value from 4 percent of the federal credit to 43 percent.

This large divergence in state commitment to low-wage workers poses fundamental questions. As a nation, are we prepared to accept that opportunities and investments can vary so substantially? What will move states to help low-income families succeed and, in the process, improve the nation's economic outlook? ■

GOING BEYOND THE FEDERAL COMMITMENT



RESPONDING TO A NATIONAL CHALLENGE: The Role of State and Federal Governments

For policy-makers in Washington, D.C., or in state capitals from Augusta to Sacramento, the nation and the states might well appear quite prosperous as hiring figures and economic growth are moving in the right direction. But measures cited previously depict a large number of working families that struggle. The families have learned the painful lesson that hard work does not always surmount poverty nor cure financial distress.

State and federal policy-makers have the ability to make changes now that will simultaneously expand the opportunities for these families and meet the needs of the changing economy. As noted in Chapter Two, the issues are complicated; as noted in Chapter Three, workable, time-tested solutions are available. States can and should strengthen policies and try different approaches. At the same time, we must demand a comprehensive and forward-thinking policy for the nation as a whole.

CHAPTER FOUR: KEY POINTS

- State policies that can benefit low-income working families must be strengthened.
- Federal leadership is needed to ensure that federal and state policies and investments effectively meet low-income working families' need for education, training, income and work supports.
- The federal government has primary responsibility to ensure that enough skilled workers are available to business.

TAKING ACTION TO STRENGTHEN STATE POLICIES AND PROGRAMS

Over many years, state governments have played a pivotal role in policies affecting low-income working families. Each state sets its own priorities and approaches. As a result, they serve as laboratories for addressing a wide range of issues, from higher education and workforce training to economic development and income and work supports.

For a variety of reasons, the Working Poor Families Project focused initially on state efforts. In its first three years, the project supported nonprofit groups in each of 15 states to use statistical and policy indicators to depict the conditions of low-income working families. (See p. 32 for list of states and participating groups.)

Each of these groups prepares a report that examines state policies and investments regarding working families in three key areas: education and skills-training, economic development, and conditions and supports for employment. Each report points out where a state's investments and policies stand in relation to other states and to the nation. The reports also recommend changes in policies, priorities and investments. (See p. 25 for an overview of state policy areas examined.)

The reports have a number of common findings. Many states do not make it a priority to provide need-based college financial aid, nor do they invest adequately in adult literacy and English classes for immigrants. Too few adults are receiving job training, and states often are not collecting enough data to assess the progress of

workers after they leave training programs or college classes. Most states do not target economic development spending to benefit low-income workers, and few know what kinds of workers benefit from those expenditures.

EXAMPLES OF THE SPECIFIC ISSUES DISCUSSED IN THE REPORTS:

◆ In Michigan, the League for Human Services' 2003 report, "Working for a Living in Michigan," found that economic development efforts do a poor job of creating jobs with career paths and providing training targeted to low-wage workers. The League called on the highest levels of government to re-examine the state's commitment to low-income working families, a recommendation the new gubernatorial administration embraced.

◆ In Texas, the Center for Public Policy Priorities noted in 2003 that the percentage of adults without a high school credential was significantly higher than the national average, particularly within the state's growing Hispanic community. At the same time, Texas ranked last among states in expenditures on adult education and literacy courses per each adult who did not complete high school. The report called on the state to set new priorities for addressing these and similar needs to ensure a strong, competitive economy.

◆ In Florida, the 2003 report by the Florida Chamber of Commerce Foundation found that the state ranked in the bottom half of the country on many indicators regarding low-income working families. The report specifically recommended that the state reconsider its TANF policy and allow more beneficiaries to take part in education and training activities "to bolster their chances of success upon exiting TANF and entering the workforce."

◆ The Women's Educational and Industrial Union in Massachusetts found in its 2004 report that the state's rules on eligibility for subsidized child care were too restrictive, prohibiting any family earning more than 50 percent of the state's median income from receiving assistance and requiring a significant co-payment. The group recommended lowering the eligibility standards to allow more working families to get child care assistance.

WORKING POOR FAMILIES PROJECT

State Policy Areas Examined
on Behalf of Low-Income Working Families

EDUCATION AND SKILLS TRAINING

1. Post-secondary education: Access, cost, success and career focus
2. Adult education and literacy: Resources, targeting, completion and success
3. Temporary Assistance for Needy Families (TANF) Program: Access to education and skills training, and success
4. Workforce Investment Act (WIA): Access to job training, supports and success

ECONOMIC DEVELOPMENT

1. Business assistance: Targeting, outcomes and benefits
2. Customized skills training: Targeting, outcomes and benefits
3. Public infrastructure development: Targeting, outcomes and benefits

SUPPORTS AND CONDITIONS OF EMPLOYMENT

1. Income enhancements: Tax structure, state minimum wage and Earned Income Tax Credit (EITC).
2. Health and child care: Eligibility, access, cost and coverage
3. Unemployment insurance: Coverage and benefits
4. Workers' compensation: Coverage and benefits
5. Work protections: Coverage, targeting and anti-discrimination in employment

◆ The Bell Policy Center 2004 report noted that despite being one of the nation's most affluent states, Colorado makes little or no investment in adult basic education, English language instruction, workplace literacy and work-

force development programs. Focusing on the benefits to the larger community, the report stated: "Helping families stay employed and move up the job ladder improves the economy and expands the tax base while reducing government expenditures. This makes the state a more desirable place to live and location for business development."

In preparing their reports, the nonprofits developed expertise in fields that bear on low-income working families, and their work has led to important new alliances and relationships with advocacy groups, government officials and others. The reports have attracted attention to issues regarding low-income working families and, in some cases, provided critical support to leaders proposing new approaches and new investments.

In Illinois, the report by the Women Employed Institute and the Chicago Jobs Council highlighted the need to use TANF and WIA funds to improve occupational and literacy skills of workers. This provided support for the governor's Critical Skills Shortages Initiative, which is designed to meet the regional needs of employers experiencing shortages in particular occupations. Economic development regions are now investing in workers who have limited skills but could advance with training. In the Chicago region, policy-makers have cited career pathway training as a solution to a critical shortage of skilled health care workers.

When Maryland's report was released, no state training programs could be used for adult education. After the release of the report by the Job Opportunities Task Force, state officials agreed to change the criteria for a program that provides matching grants to businesses to upgrade incumbent workers' skills. Employers now can use funds from the Maryland Business Works program to pay for adult literacy and English classes for non-native workers (pending federal approval). In addition, the secretaries of four state departments are collaboratively discussing how to increase funding for adult education.

In Arkansas and Texas, state TANF programs have taken an important step by beginning to assess the extent to which former participants have moved into jobs that pay wages higher than federal poverty thresholds.

IMPROVING COLLEGE ACCESS AND COMPLETION IN ARKANSAS

Arkansas' adult education attainment is relatively low. In particular, low-income working adults struggle to afford the cost of college and find programs that address their educational needs. The state, however, has recently made providing assistance to financially pressed adult students a priority and has begun experimenting with new approaches to better serve them.

A report by the Good Faith Fund, "Continuing the Investment in a Competitive Workforce and a Brighter Economic Future for Arkansas," drew attention to these issues. This focus contributed to the creation in 2003 of a need-based scholarship program in Arkansas for students over 24 years of age, with the state committing \$500,000 in funding over two years. One important feature: The new fund can provide scholarship grants to working adults going to school part-time, many of whom do not qualify for federal scholarships. It is only that kind of flexible support that allows many low-wage workers to balance the demands of school, work and family. The program helped more than 400 students attend college the first year. Now state higher education officials are considering a significant increase in funding for the program.

The report also contributed to the creation of a pilot program at one two-year college to establish career pathways programs for working adults with low basic skills. The pilot is receiving statewide and national attention, and state officials are preparing to replicate the initiative in other two-year colleges across the state. ■

THE CHALLENGE: STRENGTHENING FEDERAL AND STATE POLICIES

We cannot guarantee success for any one family; however, we can do more to improve the chance for advancement for all. Simply put, we need a national commitment to honor work.

State-level investments and policy reforms can pay dividends for employers, low-income workers and state economies. Chapter Three makes clear states can do much more to address the needs of low-income working families. These actions, however, must be comprehensive as no single policy or programmatic change will suffice.

But state actions are only part of the answer. The federal government has the responsibility to lead the nation's effort to create opportunities for hard-working, low-paid Americans. It also has the responsibility to keep U.S. businesses competitive, which will require an increasingly skilled labor pool.

Two specific observations on federal and state investments in low-income workers compel us to call for increased federal leadership.

First is the enormous disparity across the states as to who is eligible for programs that foster economic self-sufficiency. For example, the amount of state aid a low-income student receives to supplement a federal Pell grant depends on a state's willingness to invest in the education of its least affluent. Similarly, some working adults can only receive federally supported health insurance if their earnings do not exceed 20 percent of the poverty level, while those in other states can earn up to 200 percent. These disparities raise an important equity issue.

Second, the combined federal and state commitment often pales in relation to the need. Total federal and state spending on state-administered adult education and literacy programs amounts to only \$80 for every adult in the country without a high school degree. Similarly, fewer than 10 percent of all TANF participants receive any type of education or skills training. And only 41 percent of the unemployed adults served through WIA – one of the nation's primary workforce development programs – enter training. Failing to address the education and skills deficiencies of the 27 million adults who have not finished high school could relegate them to a life of low wages and will deny businesses the skilled workers they need.

Given the success of programs such as the EITC, there should be no argument that federal leadership can make a difference in the lives of low-income working families. Now is the time for action in Washington, as well as in state capitals across the nation.



RECOMMENDATIONS

Addressing the needs of America's low-income working families will require a recognition of their needs and conditions, and a concerted commitment by leaders of government, business, labor, communities and other groups. The agenda for possible action is broad and complex. We offer four general recommendations to guide federal action.

1. Increase the number of low-income working adults enrolled in and successfully completing education and training programs.

- ◆ Ensure that federal higher education resources, including Pell Grants, meet the true cost of education and are available to the growing population of non-traditional students.
- ◆ Encourage states to strengthen their post-secondary systems to better serve the needs of low-income workers.
- ◆ Broaden TANF flexibility so states can provide education and training to all participants and create incentives for states to increase the number of participants engaged in education and training.
- ◆ Ensure that states increase the number of WIA participants engaged in education and training activities, and have the necessary resources to do so.
- ◆ Increase the overall federal and state commitment to adult education and literacy programs, including English as a Second Language, that help participants develop skills that will benefit them in the labor market.

2. Improve wages, benefits and supports for low-income working families and increase the number of good jobs.

- ◆ Annually update federal employment standards to ensure that all work provides a sufficient wage for working families.
- ◆ Raise awareness among businesses that providing decent wages and benefits can boost competitiveness and help the bottom line.
- ◆ Establish and support a nationwide threshold that allows all low-income working families, including parents, to be eligible for Medicaid.
- ◆ Expand the federal EITC to provide tax relief for all low-income working families. Develop incentives that encourage states to offer refundable tax credits for low-income working families.
- ◆ Expand subsidized child care for low-income working parents.
- ◆ Establish policies that maintain and generate good jobs for all workers.



3. Regularly assess the conditions of America's low-income working families and government efforts on their behalf.

- ◆ Redefine poverty more realistically and adopt meaningful definitions of self-sufficiency and low-income.
- ◆ Regularly assess the conditions of America's working families in light of these definitions, and provide detailed data on the economic status of working families at the national, state and local levels.
- ◆ Make participants' economic success a goal of all relevant federal programs, including TANF, WIA and higher education. Measure the performance of such programs, make the results available to the public, and hold program officials accountable for outcomes.

- ◆ Regularly assess whether federally supported programs and policies result in improvements in the conditions of working families and adjust policies in light of these findings.
- ◆ Establish systems to track long-term outcomes of low-income workers and their families.

4. Focus the nation's attention on low-income working families.

- ◆ Convene a national commission to examine current government policies and private-sector business practices, and determine the best ways for low-income working families to reach financial security. This nonpartisan commission should include representatives from the public and private sectors.
- ◆ Establish a permanent inter-agency working group that brings together key departments and agencies, and representatives of state and local interests to ensure that federal policies and programs address the needs of low-income working families.

These recommendations provide a general course for strengthening key areas of federal policy and practice. One immediate opportunity can be found in the current efforts to renew federal legislation for higher education, job training, welfare, child care and vocational education. Having so many important programs up for consideration at the same time creates an unusual opportunity for federal policy-makers.

While federal action on these issues will have an impact on state programs, the states should not wait. The general recommendations above also are directed to all 50 states: 1) increase the number of low-income participants in education and training programs; 2) expand and strengthen work benefits, supports and protections; 3) regularly assess the conditions of the state's working families and the impacts of the state efforts on their behalf; and 4) focus attention on the needs of low-income working families.

IN SUMMARY, this report stresses the importance of looking at the public systems and policies that help hard-working families achieve economic security. The entire nation – its citizens, businesses and government leaders – has an important stake in ensuring that low-income working families succeed and that public investments are used effectively toward this end. Moreover, the demands of the global economy make it imperative that federal and state leaders pay attention to an enormous group of struggling workers who constitute the bedrock of our economy. They and their families want nothing more than other Americans: the opportunity to achieve economic security. But stuck in low-paying jobs with few prospects for advancement, these breadwinners now have only an elusive chance of reaching that goal.

With vision and resolute leadership, we can make a difference in their lives and in our nation. After all, the American dream is well worth working for. ■



APPENDIX: Defining Economic Self-Sufficiency Realistically

For more than 40 years, the federal government has calculated poverty thresholds that establish the theoretical minimum incomes needed to support families of various sizes. For 2002, the thresholds establish the poverty line at \$9,359 for a single person, and \$18,244 for a family of two parents and two children. Families with incomes below these levels are considered to be living in poverty. The U.S. median income for a family of four is \$62,732, more than three times the poverty threshold.

While the poverty thresholds are used to establish funding for a variety of federal programs, many experts consider them woefully unrealistic. The standards are not adjusted to reflect the dramatically different costs of living from one area to the next, particularly for housing. Nor has the government updated the thresholds to account for significant expenses most families face, including child care and out-of-pocket health care spending. They also do not take into account major public support programs, such as the EITC.

In 1995, the National Research Council issued a report that called for a new approach to measuring poverty.⁶⁶ Even the U.S. Census Bureau has raised questions about the measure and has experimented with as many as 12 different ways of calculating poverty, all of which result in a higher poverty rate.⁶⁷

Several national groups, including the Economic Policy Institute and Wider Opportunities for Women, as well as at least two state groups (the Michigan League for Human Services and the Texas Center for Public Policy Priorities), have devised new methodologies for more realistically determining the income required to achieve economic self-sufficiency. These efforts consider the actual costs of living for families – including housing, child care, health care, food, transportation and taxes. They also take into account the costs of living in specific areas. These measures result in standards that are considerably higher than the official government poverty threshold. Typically these standards approximate 200 percent of poverty, although they can be roughly three to four times the threshold in metropolitan areas such as Boston and San Francisco. ■

ENDNOTES

1 “The Working Poor: Invisible in America,” David K. Shipler. Knopf, 2004.

2 American Community Survey 2002, U.S. Census Bureau. (All data from the American Community Survey and Current Population Survey prepared by the Population Research Bureau.)

3 Poverty Thresholds, U.S. Census Bureau. <http://www.census.gov/hhes/poverty/threshld.html>.

4 American Community Survey 2002. Eighty-eight percent of low-income families and 85 percent of poor working families have a parent between 25 and 54 years old.

5 *Ibid.*

6 U.S. Census Bureau. See www.census.gov/hhes/poverty/histpov/hstpov13.html.

7 “Are Lifetime Incomes Growing More Unequal? Looking at New Evidence on Family Income Mobility,” Katharine Bradbury and Jane Katz. Federal Reserve Bank of Boston Regional Review, fourth quarter, 2002.

8 “Encouraging Job Advancement Among Low-Wage Workers: A New

Approach,” Harry J. Holzer. Brookings Institution, May 2004.

9 American Community Survey 2002.

10 *Ibid.*

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The Working Poor Families Project

THE WORKING POOR FAMILIES PROJECT HAS FOCUSED ON THE FOLLOWING 15 STATES, WORKING WITH THESE NONPROFIT GROUPS:

ARKANSAS: Good Faith Fund (Little Rock)

CALIFORNIA: California Budget Project (Sacramento)

COLORADO: The Bell Policy Center (Denver)

FLORIDA: Florida Chamber of Commerce Foundation (Tallahassee)

ILLINOIS: Women Employed Institute (Chicago) and Chicago Jobs Council (Chicago)

KENTUCKY: Kentucky Chamber of Commerce (Frankfort)

MAINE: Maine Center for Economic Policy (Augusta)

MARYLAND: Job Opportunities Task Force (Baltimore)

MASSACHUSETTS: The Women's Educational and Industrial Union (Boston)

MICHIGAN: Michigan League for Human Services (Lansing)

NEW YORK: Center for an Urban Future (New York) and Schuyler Center for Analysis and Advocacy (Albany)

OHIO: Community Research Partners (Columbus), Center for Community Solutions (Cleveland), and John Glenn Institute for Public Service and Public Policy at The Ohio State University (Columbus)

TEXAS: Center for Public Policy Priorities (Austin)

WASHINGTON: Seattle Jobs Initiative (Seattle) and Fremont Public Association (Seattle)

WISCONSIN: Center on Wisconsin Strategy (Madison)

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**This report is part of the Working Poor Families Project.
Begun in 2001, the project assesses the efforts of states
and the nation to assist low-income working families.**

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