

THE WORKING POOR FAMILIES PROJECT

POLICY BRIEF ■ WINTER 2011-2012

OVERLOOKED AND UNDERPAID: NUMBER OF LOW-INCOME WORKING FAMILIES INCREASES TO 10.2 MILLION

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INTRODUCTION

During the Great Recession and its aftermath, millions of Americans lost their jobs and were thrown into poverty. But national unemployment and poverty statistics do not tell the whole story. The recession has also affected the economic security of millions of Americans who have managed to keep their jobs. Although they are often overlooked, the number of low-income working families has been increasing steadily, resulting in a shrinking middle class and challenging a fundamental assumption that in America, work pays.

New data from the U.S. Census Bureau show that in 2010, there were more than 10 million low-income working families in the United States.² Between 2007 and 2010, the share of working families who are low-income—earning less than 200 percent of the official poverty threshold—increased from 28 percent to 31 percent. **This means that nearly one in three working families in the United States is struggling to meet basic needs.**

Although low-income working families remain mostly invisible to policymakers, these families are comprised of workers who form the backbone of our economy: working the cash registers, keeping our homes and businesses clean, preparing our food, and helping care for our children and elderly relatives. During these grave economic times, policymakers must choose to invest in these low-income workers and their families. Such investments are vital for the United States to maintain a strong, growing economy as well as to promote economic mobility and “reduce the personal, social and economic costs imposed by low wages and poverty” in America.³

Supported by the Annie E. Casey, Ford, Joyce, and Mott foundations, The Working Poor Families Project (WFPF) is a national

Key Findings for 2010

- ◆ The number of low-income working families has increased for three straight years, and now stands at 10.2 million.
- ◆ More than 46 million people, including 23 million children, lived in low-income working families, an increase of 1.6 million people from 2009.
- ◆ In 21 states—mostly in the South and West—a third or more of all working families are low-income.
- ◆ Forty-four percent of working families with at least one minority parent were low-income, twice the proportion of white working families (22 percent).
- ◆ The richest 20 percent of working families take home nearly half of all income.

initiative to strengthen state policies that can assist families striving to work their way into the middle class and achieve economic security. For the past decade, WFPF has analyzed the conditions of working families, noting the magnitude of the problem as well as the inadequacy of public policies to serve working families. This new analysis, with the latest U.S. Census Bureau data available, shows that the economic turmoil of the Great Recession has raised the problem to a critical level, creating even greater challenges for working families in their drive for economic mobility and security.

MORE WORKING FAMILIES STRUGGLE TO MAKE ENDS MEET

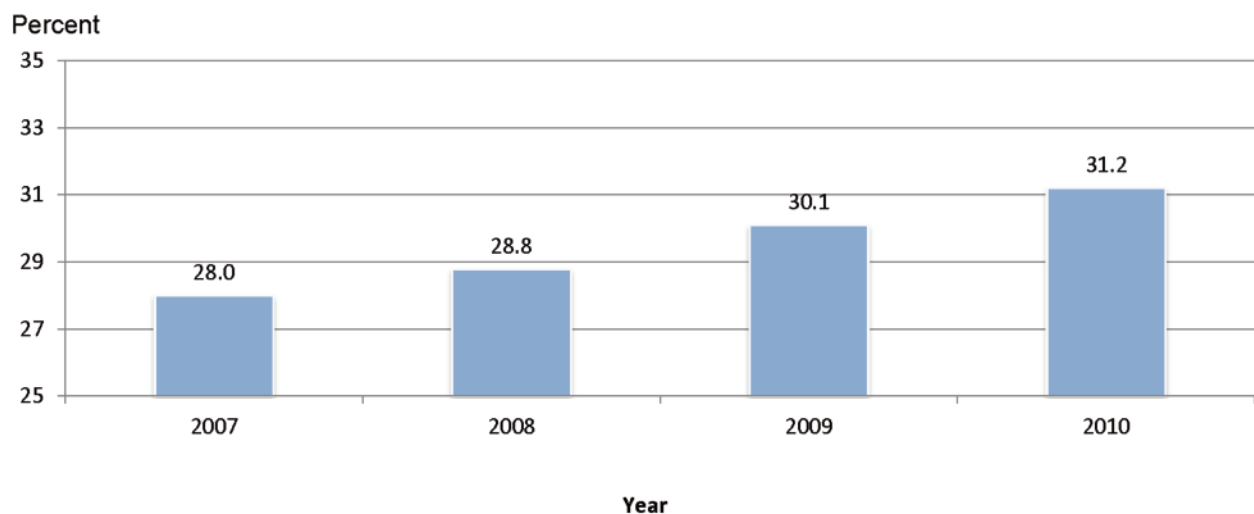
The Great Recession has led to a broad-based decline in Americans' economic security. Jobs became scarce, incomes and home values dropped, and levels of income inequality increased. Between 2009 and 2010, the number of working families dropped by nearly 800,000 as many workers lost their jobs or left the labor force altogether. However, those who have managed to stay

employed have also been affected by the economic downturn. Many formerly middle-class families have fallen below the low-income threshold because of pay cuts, reductions in work hours, or involuntary moves to part-time employment.⁴ Middle-class incomes were in decline even before the recession, but the economic downturn exacerbated this trend.⁵

Since 2007, there has been a steady increase in the proportion of working families below the low-income threshold (see Figure 1). In 2010, there were 10.2 million low-income working families living in the United States, 125,000 more than the previous year. The number of people living in low-income working families increased by 1.6 million.

The large majority of working families—about 90 percent—earn enough money to stay above the Census Bureau's official poverty threshold. However, many of these families are among the "near-poor," struggling to pay for basic expenses, such as housing, health care, child care, and transportation.⁶ In 2010, 62 percent of low-income working families—the majority of whom are renters—spent more than a third of their income on housing.⁷

Figure 1:
Working Families Below 200 Percent of Poverty



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

Many poor and low-income workers lack the training or skills needed to succeed in America's knowledge economy. Increasingly, workers need a college degree, credential, or other specialized training to find a job with decent wages, good benefits, and opportunities for advancement. In 2010, the unemployment rate for those without a high-school diploma was 14.9 percent, compared with 5.4 percent unemployment among those with a bachelor's degree. The median weekly earnings for college graduates (\$1,038) were more than double those of high school dropouts (\$444).⁸

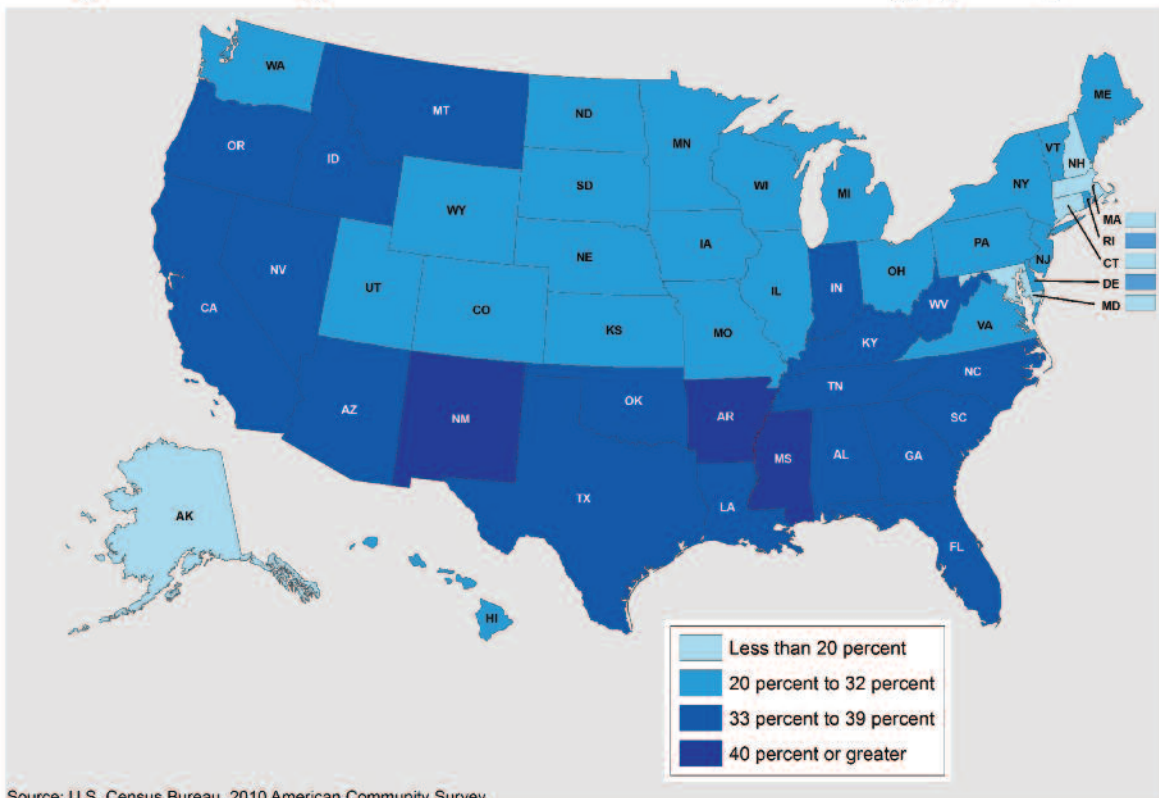
A recent national study forecast that 63 percent of all job openings occurring by 2018 will require workers to have some level of postsecondary education. Public systems, however, are not producing enough college-educated individuals to meet workforce demands.⁹ In 2010, three in 10 low-income working families had at least one parent without a high-school diploma. In more than half of low-income working families, no parent had any

education beyond high-school, putting them at a severe disadvantage in terms of job security, earnings, and potential economic mobility.

REGIONAL PATTERNS

Although working families are struggling across the country, some states are faring worse than others. In 21 states, a third or more of all working families are low-income, and all but one of these states—Indiana—are located in the South or West (see Figure 2). In Arkansas, Mississippi, and New Mexico, more than 40 percent of working families are low-income, while Connecticut and New Hampshire have the lowest proportion of low-income working families, at 18 percent each. These state-level patterns reflect variations in cost of living as well as differences in workers' education levels and skills and the types of available jobs. Estimates of low-income working families in each state are shown in the Appendix.

Figure 2: Working Families Below 200 Percent of Poverty, by State, 2010



Source: U.S. Census Bureau, 2010 American Community Survey.

California, Florida, and Texas stand out in terms of their absolute numbers of low-income working families. In 2010, these three states accounted for 30 percent of all low-income working families in the country. In fact, California and Texas were home to more than a million low-income working families each.

Many states with high concentrations of low-income working families are also facing serious budget gaps, making it more difficult to address the needs of poor and low-income families.¹⁰ Michigan recently cut funding for its Earned Income Tax Credit by two-thirds, leaving lower-income families with less after-tax income. Arizona, California, Delaware, Massachusetts, New Mexico, South Carolina, Wisconsin, and Washington have also scaled back or eliminated programs that provided a safety net for low-income working families.¹¹

RACIAL/ETHNIC DIFFERENCES

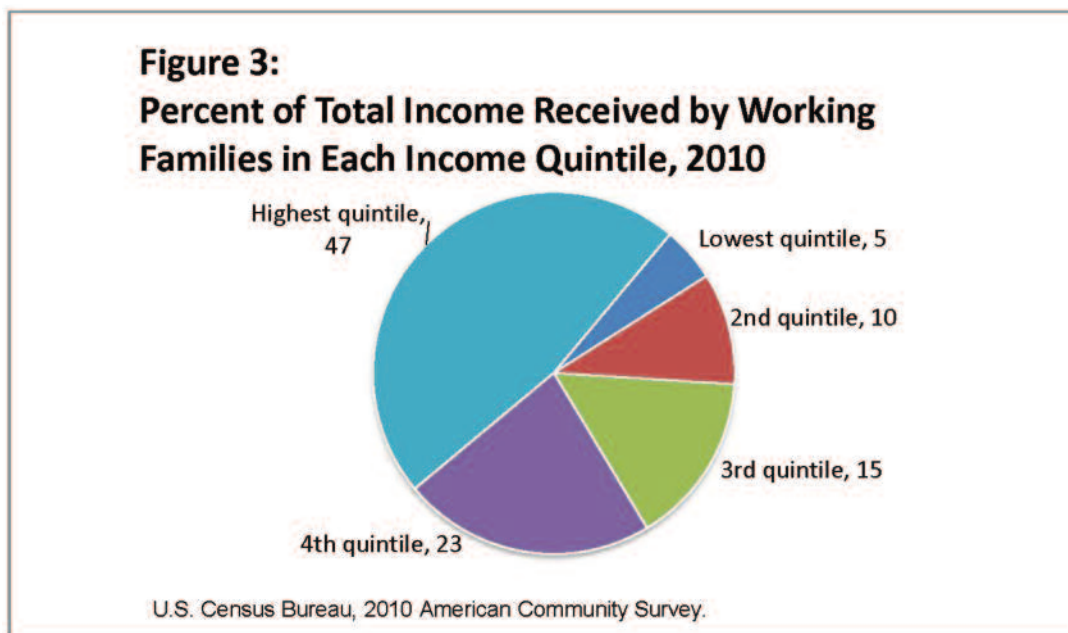
Economic security is often out of reach for working families headed by minority parents, who are less likely to have the education and technical skills needed to earn higher incomes. In 2010, 44 percent of working families with at least one minority parent were low-income, twice the proportion of white working families (22 percent).

The changing racial/ethnic composition of the U.S. labor force is a contributing factor in the rise in low-income working families. Immigration trends and higher fertility among minorities have put the United States on a path to become “majority-minority,” when less than 50 percent of the population will be non-Hispanic white. As the minority share of the labor force increases, the proportion of working families who are low-income is also expected to grow.

However, there are state and regional differences in the racial/ethnic makeup of low-income working families. African American families are most concentrated in the Deep South, Latinos in the Southwest, whites in Appalachia, and Native Americans in the Midwest. It’s important for policymakers to understand this diversity across different geographic areas when formulating policies and programs to improve low-income families’ economic prospects.

INCOME INEQUALITY

The richest 20 percent of working families take home nearly half (47 percent) of all income (see Figure 3).¹² In 2010, those at the top of the economic ladder earned nearly 10 times the income of those at the bottom.¹³ Although working families



form the backbone of America's middle class, today, fewer working families are earning enough money to meet basic needs, contributing to the growing economic divide between families at different ends of the income scale.

The divide between high- and low-income families goes beyond economics. Increasingly, families from different economic strata are also sorted into different neighborhoods, schools, and social networks.¹⁴ As a result, these families and their children are at risk of becoming isolated from educational and economic opportunities that could provide a path out of poverty.

CHILDREN

In 2010, more than 46 million people were living in low-income working families, including 23 million children. In just one year, from 2009 to 2010, the number of children in low-income working families increased by more than 500,000. It's often assumed that children are poor because their parents are not working, but in 2010, more than 70 percent of all low-income children were members of working families.

Children living in poverty tend to have worse health and educational outcomes than children growing up in more affluent families.¹⁵ For many children, poverty persists into adolescence and adulthood and is associated with higher risk of dropping out of school, teens having children, and lower earnings for young adults.¹⁶

Nationwide, more than one in three children in working families (36 percent) are low-income. What message is conveyed to these youth—our future workforce—whose parents work hard but still struggle to make ends meet? Many children will follow the same educational and work trajectories as their parents, and poverty will carry over from one generation to the next. For policymakers, the challenge is to increase economic opportunities for low-income parents so they can provide the necessary resources for their children to succeed in school and, eventually, the workforce.

IMPLICATIONS

This new analysis of U.S. Census Bureau data shows that the Great Recession has exacerbated an already serious American challenge: Too many hard-working families do not earn enough income to achieve economic security. It also shows a wide economic divide between working families at the top of the economic ladder and those at the bottom.

Adding to this problem is the increasing recognition that economic mobility in America is not as robust as generally believed. Researchers at the Boston Federal Reserve proclaimed this 10 years ago in a study showing that less than half of low-wage families advanced into the middle class during the 1990s, fewer than had advanced in the 1970s.¹⁷ More recently, the Pew Charitable Trusts' Economic Mobility Project found in a 2011 poll that 59 percent of parents believe their children will have a harder time moving up the economic ladder than they did.¹⁸ And a November 14, 2011 *Time* magazine cover story questioned the U.S. belief that anyone who works hard can achieve the American dream of economic advancement and security; the story noted that the United States trails other nations in relative economic mobility, including European nations such as Denmark, Germany, and even France.¹⁹

Federal and state policymakers have failed to address these challenges sufficiently in the past. Now the problem is even more severe and the conditions for taking policy actions are more constrained. Yet policymakers cannot afford to ignore the declining economics of working families; prior warnings that inaction will threaten "economic growth, international competitiveness, and, potentially even our cohesiveness as a nation" seem alarmingly accurate today.²⁰

The United States requires a sustained commitment from federal and state governments to ensure that hard-working families have a viable opportunity to achieve economic advancement and security. Such a commitment must be followed with specific policy actions at both levels of government. At this critical time, policymakers must give priority to investing public resources and enacting public policies that:

- ◆ Expand the number of low-skilled adults who enroll in education and skills development programs and obtain postsecondary credentials that can facilitate economic mobility.
- ◆ Improve wages, benefits, and supports for low-income working families and stimulate the creation of significantly more good jobs.
- ◆ Regularly assess the challenges America's working families face and the adequacy and success of government policies that facilitate these families' drive for economic advancement and security.

The entire nation has an important stake in ensuring that all working families succeed, and that public investments are used to increase the success of low-income working families. Moreover, the demands of the global economy make it imperative that policymakers at all levels of government commit to addressing this challenge.

Low-income working families want nothing more than other Americans: the opportunity to achieve economic mobility and security and to contribute to the country's overall prosperity and well-being. We must act now to renew America's promise that work pays.

THE WORKING POOR FAMILIES PROJECT

Strengthening State Policies for
America's Working Poor

Millions of American breadwinners work hard to support their families. But, despite their determination and effort, many are mired in low-wage jobs that provide inadequate benefits and offer few opportunities for advancement. In fact, nearly 1 in 3 American working families now earn wages so low that they have difficulty surviving financially.

Launched in 2002 and currently supported by the Annie E. Casey, Ford, Joyce and Mott foundations, The Working Poor Families Project is a national initiative that works to improve these economic conditions. The project partners with state nonprofit organizations and supports their policy efforts to better prepare America's working families for a more secure economic future.

For more information:
www.workingpoorfamilies.org

For questions about this policy brief or the
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Appendix: Working Families Below 200 Percent of Poverty, by State, 2010

States ranked by percent of low-income working families	Number of low-income working families (000s)	Number of working families (000s)	Percent of working families that are low-income	Rank
United States	10,234	32,790	31	N.R.
Arkansas	126	303	42	49
Mississippi	131	309	42	49
New Mexico	88	216	41	48
Idaho	72	184	39	47
Arizona	249	662	38	44
Oklahoma	152	404	38	44
Texas	1,130	2,963	38	44
South Carolina	171	466	37	43
Florida	624	1,739	36	40
Georgia	388	1,086	36	40
Tennessee	232	646	36	40
Alabama	171	486	35	36
Louisiana	167	477	35	36
North Carolina	360	1,023	35	36
West Virginia	58	168	35	36
Indiana	233	692	34	33
Montana	34	101	34	33
Oregon	134	391	34	33
California	1,323	4,005	33	30
Kentucky	149	445	33	30
Nevada	94	285	33	30
Missouri	201	625	32	29
Kansas	97	312	31	24
Nebraska	64	205	31	24
Ohio	366	1,193	31	24
South Dakota	27	87	31	24
Utah	110	354	31	24
Maine	39	131	30	22
Michigan	304	1,002	30	22
Illinois	397	1,390	29	20
New York	572	1,997	29	20
Delaware	26	94	28	17
Vermont	17	62	28	17
Wisconsin	172	606	28	17
Colorado	150	558	27	14
Iowa	92	335	27	14
North Dakota	19	71	27	14
Pennsylvania	327	1,257	26	11
Rhode Island	26	100	26	11
Washington	183	712	26	11
Wyoming	16	63	25	10
Minnesota	138	592	23	8
Virginia	201	880	23	8
Hawaii	28	134	21	7
Alaska	16	83	20	5
New Jersey	194	987	20	5
Maryland	128	658	19	3
Massachusetts	130	683	19	3
Connecticut	72	391	18	1
New Hampshire	25	139	18	1
District of Columbia	11	39	28	N.R.
Puerto Rico	216	323	67	N.R.

N.R. = Not ranked. See Endnote #2 for a detailed definition of low-income working families.

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

ENDNOTES

¹ Brandon Roberts and Deborah Povich manage The Working Poor Families Project. Mark Mather is a demographer at the Population Reference Bureau, where he specializes in issues related to U.S. social and demographic trends, child and family well-being, and data from the U.S. Census Bureau.

² In this brief, a family is a primary married couple or single-parent family with at least one co-resident child younger than 18 years old. A family is defined as working if all family members ages 15 and older either have a combined work effort of 39 weeks or more in the prior 12 months, or all family members ages 15 and older have a combined work effort of 26 to 39 weeks in the prior 12 months and one currently unemployed parent looked for work in the prior four weeks. In 2010, the low-income threshold for a family of four with two children was \$44,470. Unless otherwise noted, data are from the Population Reference Bureau's analysis of the U.S. Census Bureau's American Community Survey (ACS). Estimates from the ACS are subject to both sampling and nonsampling error.

³ Tom Waldron, Brandon Roberts and Andrew Reamer, *Working Hard, Falling Short: America's Working Families and the Pursuit of Economic Security*, Working Poor Families Project, October 2004, 1 (http://www.workingpoorfamilies.org/pdfs/Working_Hard.pdf).

⁴ Pew Research Center, *A Balance Sheet at 30 Months: How the Great Recession Has Changed Life in America*, June 30, 2010 (<http://pewsocialtrends.org/files/2010/11/759-recession.pdf>).

⁵ Elizabeth Kneebone and Emily Garr, "Income and Poverty," in *State of Metropolitan America: On the Front Lines of Demographic Transformation* (Washington, DC: Brookings Institution, 2010), 132–143.

⁶ Jason DeParle, Robert Gebeloff, and Sabrina Tavernise, "Older, Suburban and Struggling, 'Near Poor' Startle the Census," *New York Times*, Nov. 18, 2011.

⁷ The U.S. Department of Housing and Urban Development considers housing affordable if a family pays less than 30 percent of total income on mortgage, rent, or other housing expenses.

⁸ U.S. Bureau of Labor Statistics, *Education Pays*, May 2011 (www.bls.gov/emp/ep_chart_001.htm).

⁹ Anthony Carnevale, Nicole Smith, and Jeff Strohl, *Help Wanted: Projections of Jobs and Education Requirements Through 2018* (Washington, DC: Georgetown University Center on Education and the Workforce, 2010), 13, 16 (<http://www9.georgetown.edu/grad/gppi/hpi/cew/pdfs/Fullreport.pdf>).

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¹⁰ Elizabeth McNichol, Phil Oliff, and Nicholas Johnson, *States Continue to Feel Recession's Impact*, June 2011 (<http://www.cbpp.org/cms/index.cfm?fa=view&id=711>).

¹¹ Liz Schott and LaDonna Pavetti, *Many States Cutting TANF Benefits Harshly Despite High Unemployment and Unprecedented Need*, October 2011 (<http://www.cbpp.org/cms/?fa=view&id=3498>).

¹² This figure may underestimate the actual share of aggregate income received by the top 20 percent of working families because values in the ACS Public Use Microdata Sample are "top coded" for high-income individuals.

¹³ The bottom quintile represents families with incomes up to \$31,000 annually, while the top quintile includes families with income greater than \$116,600.

¹⁴ Sean F. Reardon and Kendra Bischoff, *Growth in the Residential Segregation of Families by Income, 1970–2009*, November 2011 (<http://www.s4.brown.edu/us2010/Data/Report/report111111.pdf>).

¹⁵ Jeanne Brooks-Gunn, Greg J. Duncan, and Nancy Maritato, "Poor Families, Poor Outcomes: The Well-Being of Children and Youth," in *Consequences of Growing Up Poor*, ed. Greg J. Duncan and Jeanne Brooks-Gunn (New York: Russell Sage Foundation, 1997), 1–17; Eugene M. Lewit, Donna L. Terman, and Richard E. Behrman, "Children and Poverty: Analysis and Recommendations," *The Future of Children*, Summer/Fall 1997, 8–9 (http://futureofchildren.org/futureofchildren/publications/docs/07_02_analysis.pdf).

¹⁶ Susan E. Mayer, "Trends in the Economic Well-Being and Life Chances of America's Children," in *Consequences of Growing Up Poor*, 46–69; Greg J. Duncan, Kathleen M. Ziol-Guest, and Ariel Kalil, "Early-Childhood Poverty and Adult Attainment, Behavior, and Health," *Childhood Development* 81 (2010).

¹⁷ Katherine Bradbury and Jane Katz, "Are Lifetime Incomes Growing More Unequal? Looking at New Evidence on Family Income Mobility," Federal Reserve Bank of Boston, *Regional Review*, Fourth quarter, 2002.

¹⁸ Pew Charitable Trusts, Economic Mobility Project, *Economic Mobility and the American Dream—Where Do We Stand in the Wake of the Great Recession?* (<http://www.economicmobility.org/economicmobility.org/poll2011>).

¹⁹ Rana Foroohar, "What Ever Happened to Upward Mobility?" *Time*, November 14, 2011.

²⁰ David Ellwood, *Grow Fast Together, or Grow Slowly Apart: How Will America Work in the 21st Century?* (Washington, DC: Aspen Institute, 2002).