

THE WORKING POOR FAMILIES PROJECT

POLICY BRIEF ■ WINTER 2012-2013

LOW-INCOME WORKING FAMILIES: THE GROWING ECONOMIC GAP

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INTRODUCTION

While the U.S. economy has shown some signs of recovery—the U.S. unemployment rate has dipped below 8 percent from 10 percent three years ago—the economic outlook for many working families is bleak. New data from the U.S. Census Bureau show that the number of low-income working families in the United States increased to 10.4 million in 2011, up from 10.2 million a year earlier.² This means that nearly one third of all working families—32 percent—may not have enough money to meet basic needs. At the same time, inequality among working families is increasing, as higher-income families receive a larger share of income relative to families at the bottom of the income distribution.

The total number of people in low-income working families now stands at 47.5 million and could reach 50 million in the next few years. That's roughly equivalent to the total number of people living in California, Oregon, and Washington combined. Although many people are returning to work, they are often taking jobs with lower wages and less job security, compared with the middle-class jobs they held before the economic downturn.³ These low-wage jobs typically offer limited opportunities for advancement, few (if any) benefits, and create challenges for parents trying to balance work and family responsibilities.

Supported by the Annie E. Casey, Ford, Joyce, and Kresge foundations, [The Working Poor Families Project \(WFPF\)](#) is a national initiative to strengthen state policies that can assist families striving to work their way into the middle class and achieve economic security. This data brief, based

Key Findings for 2011

- ◆ The number of low-income working families in the United States increased to **10.4 million in 2011**, up from 10.2 million in 2010.
- ◆ The total number of people in low-income working families now stands at 47.5 million.
- ◆ In 2011, there were 23.5 million children in low-income working families.
- ◆ There are 10 states, spread across the U.S., where the share of low-income working families increased by 5 percentage points or more between 2007 and 2011.
- ◆ The richest 20 percent of working families took home nearly half (48 percent) of all income, while those in the bottom 20 percent received less than 5 percent of the economic pie.

“ Despite certain economic indicators showing that the economy is slowly improving, there are still more than 300,000 low-income working families here in Michigan who are not feeling any economic uptick. Our state is one of ten across the country where the share of low-income working families has increased by more than 5 percent since 2007. Clearly, more legislative action is need to ensure that Michigan’s vulnerable populations have access to the programs and educational opportunities that will allow them to get ahead – which will better allow our state to get ahead.”

— Gilda Jacobs, President and CEO, Michigan League for Public Policy

on new 2011 data from the U.S. Census Bureau’s American Community Survey, provides a snapshot of low-income working families in America and highlights the growing economic divide between working families at the top and bottom of the economic ladder. Meeting the needs of these workers and their children—and providing these workers with opportunities for better employment—is critical for putting the United States on a path toward economic stability and growth.

AS ECONOMY RECOVERS, MANY WORKING FAMILIES LEFT BEHIND

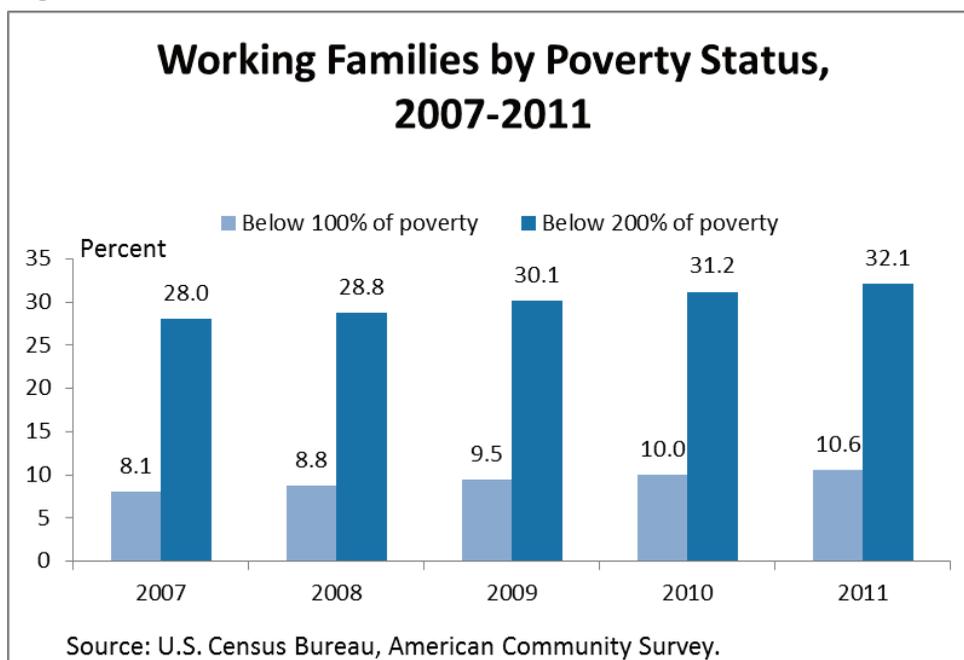
There are several signs that the U.S. economy is bouncing back, if slowly, from the 2007-2009 Great Recession and its aftermath. The unemployment rate is down sharply from its double-digit peak in October 2009. The stock market has recovered most of its losses, with the Dow Jones Industrial

Average doubling from its recent low in March 2009. The housing market has shown signs of recovery, with promising trends in home prices, sales, and construction. And after three years of steady increases, the official poverty rate remained flat in 2011 at 15 percent.

Yet for a growing number of working families, economic security is out of reach. Between 2007 and 2011, the share of working families that are low-income—below 200 percent of the official poverty threshold—increased annually and rose from 28 percent to 32 percent nationally (see figure 1). About 11 percent of working families were below the official poverty line in 2011 (\$22,811 for a family of four with two children).

There is a common misconception—magnified during the recent presidential election—that low-income families are “takers” who do not work, instead relying on government assistance to meet

Figure 1



their needs. But in 2011, more than 7 in 10 low-income families and half of all poor families were working. They simply didn't earn enough money to pay for basic living expenses. The share of low-income families that are working has dropped slightly in recent years, from 73 percent in 2009 to 71 percent in 2011, which may reflect the difficulty in finding work in the current job market. In this data brief, families are classified as "working" if they are significantly attached to the labor force (in general, working at least 39 weeks during the previous year). Many low-income families include multiple adults who are combining their work effort to meet the household's financial needs.

In 2011, 61 percent of low-income working families had a high housing cost burden—defined as spending more than 33 percent of household income on housing costs such as mortgage or rent payments, utilities, and other expenses. For working families below the official poverty threshold, 81 percent had high housing cost burdens.

Working families have many other daily expenses, including transportation costs to get to and from work and payments to child care providers. Family budgets have also been squeezed by the high cost of gasoline. Although low-income families have shorter commutes, on average, compared with

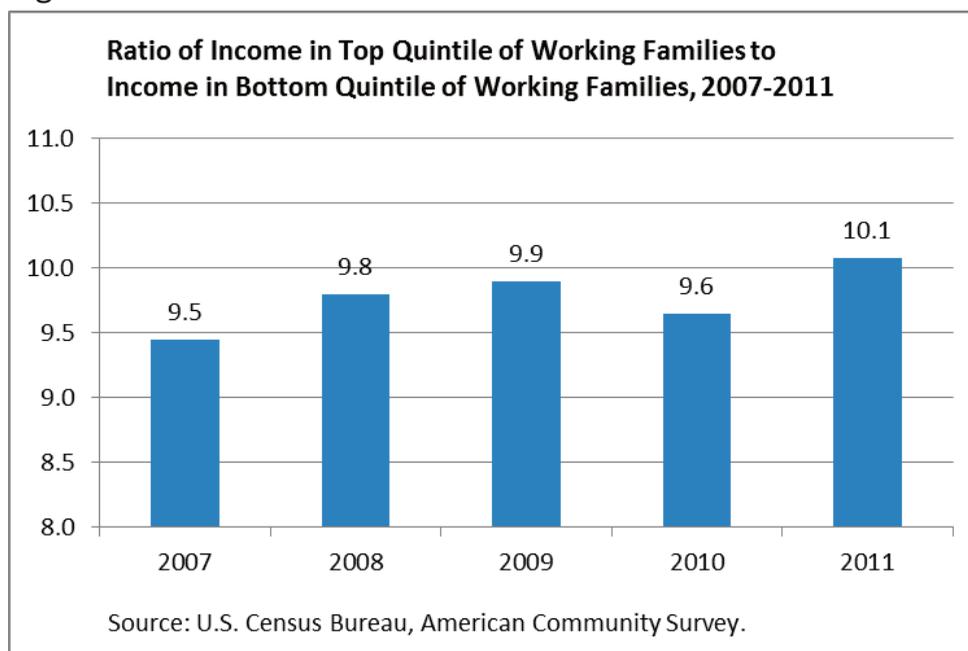
higher-income families, they spend a higher share of their income on gasoline (8.6 percent vs. 2.1 percent).⁴ And in rural areas, many low-income workers commute long distances to find jobs with decent wages.⁵

Many low-income working families are employed in the service sector, often in jobs that require working long hours and on nights or weekends, creating significant challenges for child care. In 2011, about one-fourth of adults in low-income working families were employed in just eight occupations, as cashiers, cooks, health aids, janitors, maids, retail salespersons, waiters and waitresses, or drivers. Some of these occupations—especially those involving health care—are among the fastest-growing occupations in the country.⁶ Cashiers make up the single-largest occupational group, with nearly a million people in low-income working families in 2011.

RISING INEQUALITY

Income inequality has increased steadily in the United States, as those at the top have seen incomes rise while those at the bottom have experienced stagnant or declining income.⁷ Part of the problem is the low wages paid to those with fewer skills and lower levels of education. But in many cases, low-

Figure 2



“ Income inequality—or inequality of outcomes—is very much tied to inequality of opportunity. Those who lacked good educational opportunities as children need additional supports as adults if we are to ensure that everyone has the same shot at the American dream. Additionally, when we invest in an adult’s education and job training, we are also providing their children with better educational opportunities, because children benefit enormously when their parents are well educated.”

—Veronica C. García, Ed.D., executive director, *New Mexico Voices for Children*

wage workers are involuntarily working part-time—often in multiple, temporary jobs.⁸

The recession has made it even more difficult for families to find full-time work with decent wages. Although many people are returning to work, employment opportunities have been concentrated in the high-wage and low-wage sectors, with slower growth in jobs paying middle-class wages.⁹ Some of the fastest-growing jobs during the recovery have included those in retail, food preparation, food service, health care, clerical jobs, and customer assistance.¹⁰ However, median hourly wages in these occupations are often not high enough to cover basic household expenses, even for families working full time. Others have seen their jobs disappear altogether, including many carpenters, real estate brokers, painters, secretaries, and insurance workers¹¹—leaving them with skills that are needed less in the new economy.

There is a broad economic gap between high- and low-income working families, and this gap is growing. In 2011, the top 20 percent of working families received 10.1 times the total income received by the bottom 20 percent of working families, up from 9.5 in 2007 (see figure 2). To put this another way, the richest 20 percent of working families took home nearly half (48 percent) of all income, while those in the bottom 20 percent received less than 5 percent of the economic pie.

CHILDREN

Children do not end up in low-income families by choice or by chance. Their circumstances are determined in large part by their parents’ ability to find good jobs that pay reasonable wages. Children growing up in low-income families have worse health and educational outcomes, are more

likely to live in single-parent families, and are more likely to experience violent crime compared with children in more affluent families.¹² Low-income children have fewer opportunities for upward mobility, and are more likely to have low-quality jobs and lower earnings when they reach adulthood.¹³ Therefore, in many low-income families, poverty is transmitted from parents to children, from one generation to the next.

Child poverty has increased sharply since the onset of the recession in 2007, and children in working families have not been immune to effects of the economic downturn. The proportion of children in working families who are low-income increased from 33 percent in 2007 to 37 percent in 2011. In 2011, there were 23.5 million children in low-income working families. Children in single-parent families are especially vulnerable because there are often fewer potential earners in the household.¹⁴

EDUCATION

Education is a key factor affecting the economic security of working families. In today’s economy, workers need to have some postsecondary education or credentials in order to compete for middle-class jobs.¹⁵ In 2011, the mean annual earnings for those with a bachelor’s degree or higher were \$69,387, compared with \$20,936 among those who dropped out of high school.¹⁶ This earnings differential translates into vastly different opportunities and resources for children growing up in these families. In 2011, about 29 percent of low-income working families included a parent who did not graduate from high school. Increasing the proportion of workers with at least some postsecondary education would go a long way toward narrowing the income gap between working families.

“Sadly, the findings of The Working Poor Families Project report confirm some of my greatest concerns about how the ongoing economic downturn is hurting Georgians. It’s alarming that the number of our low-income families increased by 5 percent in the last five years. Georgia is still struggling with one of the worst foreclosure and unemployment problems in the country and it’s important to draw attention to the fact that there are real families behind those statistics.”

— Alan Essig, executive director, Georgia Budget and Policy Institute

RACIAL/ETHNIC MINORITIES

Low-income working families are disproportionately headed by racial/ethnic minorities. In 2011, 42 percent of all working families had at least one minority parent, but 59 percent of low-income working families had one or more minority parents. More than one-fourth of low-income working families also had at least one parent with difficulty speaking English. Foreign-born workers, especially those from Latin America, are among the most vulnerable because they often face barriers in accessing public programs designed to help low-income families and children.¹⁷

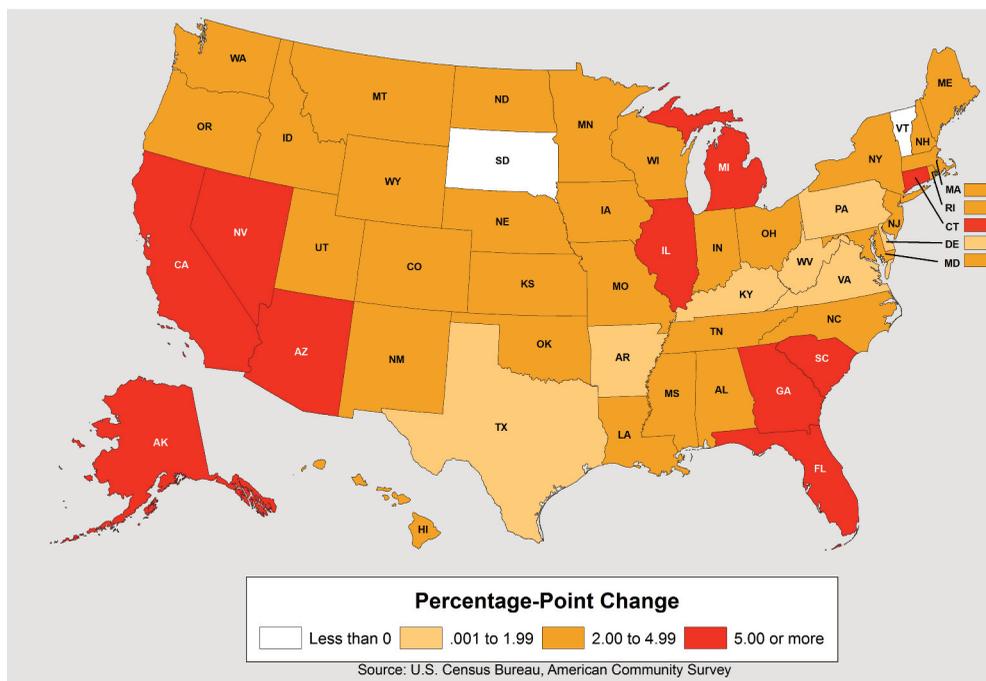
The high proportion of minorities who are low income is significant because of projected changes in the racial/ethnic composition of families. Latinos, including many who are first- or second-

generation immigrants, are disproportionately concentrated in low-wage jobs, and make up a rapidly growing share of the U.S. population. The recent recession has made immigrants particularly vulnerable to job loss.

REGIONAL PATTERNS

In 2011, there were three states where more than 4 in 10 working families were low income: Arkansas, Mississippi, and New Mexico. All of the states with the highest proportions of low-income working-poor families were located in the southern or western United States. States with the lowest percentages were higher-income states in the Mid-Atlantic and Northeast, including Maryland, Massachusetts, New Hampshire, and New Jersey. Data for each of the 50 states, the District of Columbia, and Puerto Rico are shown in the Appendix.

Change in Working Families Below 200 Percent of Poverty, 2007-2011, by State



“ Twenty-one percent of Connecticut’s working families are now low-income, increasing from 16 percent in just the past five years. Connecticut needs to invest in human infrastructure. We need to make sure our citizens can work hard and earn a wage that sustains housing and health care and lets them provide for their children. More action is needed now to ensure that all families in our state can build a secure future.”

—Jim Horan, executive director, Connecticut Association for Human Services

The increase in low-income working families has been uneven, geographically. There are 10 states where the share of low-income working families increased by 5 percentage points or more between 2007 and 2011: Alaska, Arizona, California, Connecticut, Florida, Georgia, Illinois, Michigan, Nevada, and South Carolina (see map). The increases in California, Florida, and Illinois—as well as New York and Texas—are notable because of the large populations in those states. Nevada has seen the biggest increase in working families below 200 percent of poverty (a 12 percentage-point increase since 2007).

Many states in the South and Southwest experienced rapid population and housing growth prior to the recession and were hit hard when the housing market crashed. Parts of the Midwest and Northeast have experienced much slower growth in low-income working families. Since 2007, the share of low-income working families declined in just two states—South Dakota and Vermont—and in the District of Columbia.

STRENGTHENING WORKING FAMILIES AND BUILDING A STRONGER ECONOMY FOR FUTURE GENERATIONS

Poor and low-income working families are composed of workers who form the backbone of our economy, and of children who will assume that role in the future. As in the past, a disproportionate number of low-income working families are headed by immigrants.¹⁸ They have the same aspirations for their families and future generations as today’s top earners who come from parents and grandparents who arrived in this country seeking a better economic future. No less are the hopes of minorities, who continue to be unduly represented in low-income working families.

The story of the American Dream is premised on the ability of families—regardless of race, ethnic

background or country of origin—to better their economic circumstances through hard work. Yet as the data in this brief clearly indicate, today’s working families face a more challenging situation than those in the past. The current economic conditions continue to adversely impact too many working families, and public policies are not sufficiently structured to provide opportunities that support their economic ambitions. As recent economic mobility studies suggest, the American Dream that hard work leads to economic advancement and security has become less of a reality and more of a myth.¹⁹

In the current federal and state budget climate, policymakers need to make difficult choices that will have long-term consequences for millions of working families and their children. The recent action on federal fiscal policy—extending the Earned Income Tax Credit, child tax credit, and emergency unemployment benefits—was a step in the right direction.

However, upcoming decisions on investments in federal programs that help working families meet basic needs and support their efforts for economic advancement are at risk of severe cuts. In addition, many of the proposals under consideration would significantly reduce federal funds available to states and local areas, which provide an important source of funding for children’s education as well as skills training, nutritional assistance, and medical services for poor and low-income working families.²⁰

Both federal and state policymakers stress the need to strengthen the middle class, but cutting programs and benefits that serve low-income working parents and their children would undermine that goal. Furthermore, reducing public investments could worsen income inequality, hinder economic mobility, and increase the prospects of transmitting poverty from one generation to the next.

“ Almost 40 percent of Texas’ working families are low-income, which is well above the national average. Folks in our state are working hard, but for many families, working hard just isn’t enough. Things need to change, including better wages and more affordable options for higher education and post-secondary job training. This WFPF report shines a spotlight on the continuing economic insecurity over one million Texan working families are facing and calls for improved state and federal polices to better support Texas families.”

— *F. Scott McCown, executive director, Center for Public Policy Priorities*

One particular area of concern is public support for education and skills training. Significant reductions in state investments in two- and four-year colleges have led to increases in student tuition and fees, making postsecondary education less affordable. Similarly, potential cuts in federal Pell Grants would reduce funds that help low-income students afford college.²¹ Without these funds and other education and skill development resources, fewer low-income adults will be able to upgrade their own skills and credentials as well as help their children gain the education they need to secure a strong economic future.

Federal and state policies can play a crucial role in assuring that all jobs offer wages that can sustain a family and contribute to a strong community and economy. Policymakers must work to reverse rising income inequality and restore the value of work by strengthening both job growth and job quality. For job quality this means taking proactive steps to ensure that work is fair and properly rewarded. Specific policy actions include raising and indexing the minimum wage; providing all workers access to paid sick days and family leave; enforcing work rules and wage standards; and ensuring that if public job creation expenditures persist, they benefit workers and their communities.

For the past 10 years, the Working Poor Families Project has generated data on the conditions of working families in America and for each of the 50 states and the District of Columbia. Over this period, the unfortunate reality is that the economic status of working families has declined, with the United States now experiencing the highest number and percentage of low-income working families over the past decade. For most working families, the 21st century has been little more than a constant struggle to maintain

employment, earnings, benefits, savings, and hard-earned assets.

The continuing economic bifurcation of American workers and society must end and, in fact, must be reversed, if we expect a stronger economy for the future. Federal and state policymakers have clear choices in addressing current federal and state budget matters. It is time to give priority to the needs and aspirations of America’s working families, with the goal of restoring their path to economic security and prosperity as well as ensuring economic opportunity for future generations.

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 Kresge 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

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Appendix: Working Families Below 200 Percent of Poverty, by State, 2011

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	10,450	32,566	32	N.R.
Alabama	184	495	37	40
Alaska	20	78	26	11
Arizona	255	652	39	47
Arkansas	126	309	41	48
California	1,352	3,957	34	33
Colorado	157	567	28	16
Connecticut	83	389	21	5
Delaware	24	96	25	10
District of Columbia	9	41	21	N.R.
Florida	642	1,720	37	41
Georgia	390	1,062	37	38
Hawaii	35	137	25	9
Idaho	66	177	37	41
Illinois	414	1,358	31	23
Indiana	219	688	32	26
Iowa	94	329	29	17
Kansas	105	332	32	25
Kentucky	148	437	34	32
Louisiana	180	484	37	39
Maine	37	126	29	21
Maryland	122	635	19	2
Massachusetts	135	684	20	3
Michigan	308	966	32	26
Minnesota	145	597	24	8
Mississippi	135	312	43	49
Missouri	204	637	32	28
Montana	34	95	36	35
Nebraska	68	211	32	29
Nevada	107	283	38	43
New Hampshire	25	141	18	1
New Jersey	204	977	21	4
New Mexico	89	205	44	50
New York	599	1,973	30	22
North Carolina	369	1,014	36	36
North Dakota	20	74	27	15
Ohio	366	1,165	31	24
Oklahoma	157	407	39	45
Oregon	124	377	33	31
Pennsylvania	325	1,266	26	12
Rhode Island	28	105	27	14
South Carolina	186	476	39	46
South Dakota	25	87	29	18
Tennessee	236	647	36	36
Texas	1,138	2,974	38	44
Utah	111	339	33	30
Vermont	14	59	24	7
Virginia	204	885	23	6
Washington	187	717	26	13
West Virginia	57	160	36	34
Wisconsin	174	604	29	19
Wyoming	17	57	29	20
Puerto Rico	202	298	68	N.R.

N.R. = Not ranked. See Endnote #1 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 2011, the low-income threshold for a family of four with two children was \$45,622. 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 National Employment Law Project. August 2012. "The Low-Wage Recovery and Growing Inequality." http://www.nelp.org/page/-/Job_Creation/LowWageRecovery2012.pdf?nocdn=1.
- ⁴ The Urban Institute. September 2008. "Impact of Rising Gas Prices on Below-Poverty Commuters." http://www.urban.org/UploadedPDF/411760_rising_gas_prices.pdf.
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- ⁶ U.S. Department of Labor, Bureau of Labor Statistics. February 1, 2012. "Fastest growing occupations, 2010 and projected 2020." http://www.bls.gov/emp/ep_table_103.htm.
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- ⁹ National Employment Law Project. August 2012. "The Low-Wage Recovery and Growing Inequality." http://www.nelp.org/page/-/Job_Creation/LowWageRecovery2012.pdf?nocdn=1.
- ¹⁰ Ibid.
- ¹¹ Ibid.
- ¹² Brooks-Gunn, Jeanne, Greg J. Duncan, and Nancy Maritato. 1997. "Poor Families, Poor Outcomes: The Well-Being of Children and Youth," in *Consequences of Growing Up Poor*, ed. Duncan, G.J., and Brooks-Gunn, J. (New York: Russell Sage Foundation): 1-17; and Lewit, Eugene M., Donna L. Terman, and Richard E. Behrman. "Children and Poverty: Analysis and Recommendations," *Future of Children*, 7 (no. 2). Summer/Fall 1997.
- ¹³ Mayer, Susan E. 1997. "Trends in the Economic Well-Being and Life Chances of America's Children," in *Consequences of Growing Up Poor*, ed. Duncan, Greg J. and Jeanne Brooks-Gunn (New York: Russell Sage Foundation): 46-69.
- ¹⁴ Mather, Mark. May 2010. "U.S. Children in Single-Parent Families." <http://www.prb.org/Publications/PolicyBriefs/singlemotherfamilies.aspx>.
- ¹⁵ Carnevale, Anthony P. April 9, 2012. "For a Middle-Class Life, College Is Crucial." <http://www.nytimes.com/roomfordebate/2012/03/01/should-college-be-for-everyone/for-a-middle-class-life-college-is-crucial>.
- ¹⁶ U.S. Census Bureau. August 2012. "PINC-04. Educational Attainment--People 18 Years Old and Over, by Total Money Earnings in 2011, Work Experience in 2011, Age, Race, Hispanic Origin, and Sex." http://www.census.gov/hhes/www/cpstables/032012/perinc/pinc04_000.htm.
- ¹⁷ Pereira, Krista M., et al. May 2012. "Barriers to Immigrants' Access to Health and Human Services Programs." <http://aspe.hhs.gov/hsp/11/ImmigrantAccess/Barriers/rb.shtml>.
- ¹⁸ One third of low-income working families have a parent who is not American born.
- ¹⁹ See: <http://www.pewstates.org/projects/economic-mobility-project-328061>.
- ²⁰ Center on Budget and Policy Priorities. December 6, 2012. "Reducing Federal Deficits Without a Significant Revenue Increase Would Shift Substantial Costs to States." <http://www.cbpp.org/cms/?fa=view&id=3870>.
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