
WORKING HARD STILL FALLING SHORT

New Findings on the Challenges Confronting America's Working Families

The American Dream is grounded in the belief that hard work leads to economic advancement and self-sufficiency. Today, the stark reality is that too many American families, despite working hard, earn incomes too low to achieve economic security.

- ➔ More than **one out of four** working families with children is low-income. In all, a total of 42 million adults and children struggle to get by.¹
- ➔ The number of low-income working families increased by 350,000 between 2002 and 2006.
- ➔ Income inequality among working families increased by almost 10 percent from 2002 to 2006.²

This new analysis of U.S. Census data shows that America faces a major challenge—helping working families achieve economic success in the 21st Century. The economic turmoil of 2008 is creating even greater challenges for these families and making economic advancement more difficult. Yet government has generally failed to strengthen public policies to effectively serve working families. The Working Poor Families Project is based on the conviction that federal and state policies must do a better job of supporting families seeking to work their way into the middle class. This includes adopting public policies that build the education and skills of adult workers; generate more well-paying jobs with benefits; and provide the supports needed to ensure that work pays. Government must work for working families and restore the promise of the American Dream.

More Hard-Working Families are Falling Behind

America's low-income working families typically include men and women who work as cashiers, custodians, child care workers, health care aides and security guards—workers who constitute the backbone of an increasingly service-based economy. They work hard, pay taxes and strive to achieve a brighter economic future for their families. But they lack the earnings necessary to meet their basic needs³—a struggle exacerbated by soaring prices for food, gas, health care and education.

One out of four working families with children—a total of 9.6 million working families—is low-income. As shown in the bar graph below, these families pay a higher percentage of their income for housing than other working families, are far less likely to have health insurance, and often lack the education and skills that enable others to succeed in today's skills-driven economy.

At the same time, low-income working families, contrary to popular myth, work hard. Adults in low-income working families worked on average 2,552 hours per year in 2006, the equivalent of almost one and a quarter full-time workers. Despite working hard, too many American families are struggling to get by, advance to the middle class and provide a secure future for their children.

Since the Working Poor Families Project's last report in 2004, the conditions for working families in America have worsened. As shown in the following table, the number of low-income working families with children has increased by more than 350,000. This increase is alarming as it occurred at a time of solid national economic growth.⁴

Income inequality increased among working families by

almost 10 percent in recent years as indicted by the widening gap between the share of income received by the highest-earning working families and the share received by the least affluent ones.⁵ This growing disparity between poor and wealthy families affects more and more children, with more than 21 million children living in a low-income working family. And more low-income working families find it difficult to secure affordable housing or access to health care.

One key factor is that America's educational systems continue to poorly prepare workers for jobs requiring higher skills. At the same time, the economy is comprised of a larger share of low-paying jobs, with an increase of 4.7 million jobs paying a poverty-level wage from 2002 to 2006.⁶

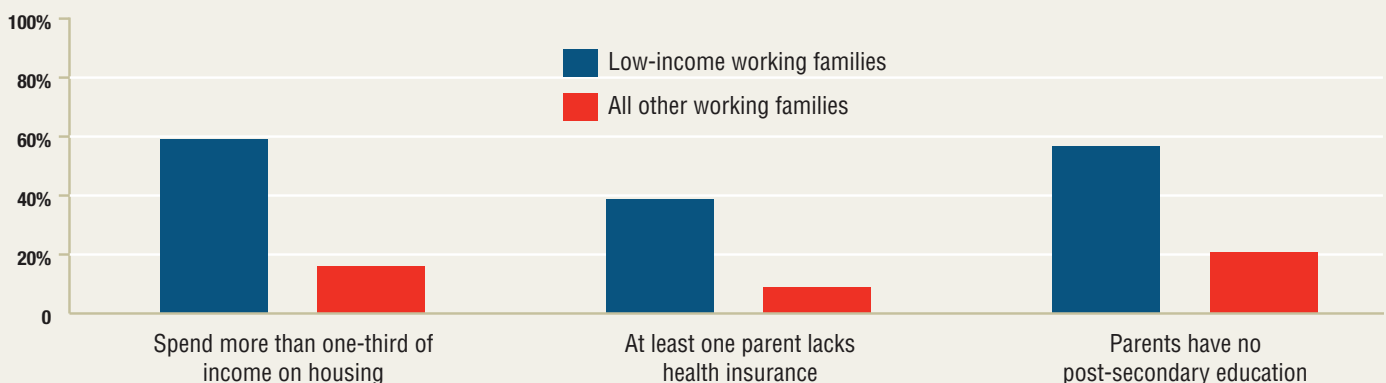
A major challenge moving ahead will be to raise the education and skills of America's workers to meet the needs of the changing economy.

Almost one-half of all job openings require more than a high school education,⁷ yet as noted in the *Report of the National Commission on Adult Literacy*, 88 million adult workers are not prepared for these positions;⁸ 25 million of these adult workers lack a high school degree or its equivalent. At the same time, combined federal and state government resources for such programs as adult education or skills development serve approximately one-tenth of the need.

Experience shows that public policies that promote education and skills development, quality jobs, health care and family leave are effective ways to foster family economic security. With elections preparing to reshape administrations in Washington and many state capitals, fresh and immediate attention to these issues is needed.

More than 21 million children live in low-income working families.

Challenges Confronting Low-Income Working Families in 2006²



Myths & Facts About Low-income Working Families



The economy is comprised of a larger share of low-paying jobs, with an increase of 4.7 million jobs paying a poverty-level wage from 2002 to 2006.

MYTH Low-income families do not work.

FACT 72% of low-income families work.

MYTH Low-income families do not work hard.

FACT The average annual work effort for low-income working families is 2,552 hours, roughly one and one-quarter full-time jobs.

MYTH Low-income working families are headed by single parents.

FACT 52% of low-income working families are headed by married couples.

MYTH Low-income working families are headed by immigrants.

FACT 69% of low-income working families have only American-born parents.

MYTH Low-income working families have very young parents.

FACT 89% of low-income working families have a parent between the ages of 25 and 54.

MYTH Low-income working families are overwhelmingly minority.

FACT 43% of low-income working families have white, non-Hispanic parents.

MYTH Low-income working families are dependent on public assistance.

FACT 25% of low-income working families receive food stamp assistance.

Changed Conditions from 2002 to 2006²

	2002		2006	
	Number	%	Number	%
Working families below 200% of poverty	9,202,890	27.4	9,572,450	28.2
Children in working families below 200% of poverty	20,208,334	32.3	21,061,465	32.8
Working families spend more than a third of income on housing	4,615,876	51.9	5,537,965	59.5
In working families at least one parent without health insurance	3,382,083	36.7	3,772,324	38.7
Adults 25–54 high school degree/GED or less	51,205,868	41.7	53,615,975	42.2
Jobs paying below poverty threshold	24,702,000	19.4	29,390,000	22.2

A Fifty-State Economic Issue

A new administration in Washington will have the opportunity to strengthen federal policies on behalf of America's working families. But state resources and policies remain critical to the economic prospects of working families. And states have many reasons to devote attention to these families' needs.

The problem is sizeable.

As measured in 2006, all states have a significant number of low-income working families. California and Texas each have more than a million low-income working families, while Florida and New York each have more than 500,000. Even the five states with the smallest percentage of such families (New Hampshire, Maryland, Connecticut, Massachusetts and New Jersey) are home to roughly 500,000 of these families collectively.

In 13 states, 33 percent or more of working families are low-income, and two states, Mississippi and New Mexico, have 40 percent or more. In eight states, 40 percent or more of the children of working adults reside in low-income families.

Economic opportunity is not equally shared.

In 13 states, 50 percent or more of minority working families are low-income. By comparison, there is not one state where white working families represent half of the low-income population. At most, in West Virginia, one-third of white working families are low-income.



In seven states, more than one-third of low-income working families have a parent without a high school degree, with one state, California, exceeding 50 percent. Among working families that are not low-income, only 10 percent nationally have a parent who did not complete high school.

Too many jobs offer low wages and inadequate benefits.

Nationally, more than one in five jobs, or 22 percent, is in an occupation paying wages that fall below the federal poverty threshold. In eight states, more than one-third of all jobs are in poverty-wage occupations.

Nationally, 39 percent of low-income working families include a parent without health insurance. Fifteen states have 40 percent or more; two states, Texas and New Mexico, have 50 percent or more.

Conditions in the states vary substantially across the country as do state commitments to working families. State policies related to the minimum wage, taxes, financial aid for postsecondary education, health care and paid family leave affect the ability of working families to prosper and achieve economic advancement. All states can strengthen their policies to better serve low-income working families.



A Call For Stronger Policies

Federal policy has not adequately addressed the array of issues critical to low-income working families, and too few states have focused on the needs of working families or quality of jobs. However, some states have taken actions that provide direction for other states to follow.

States are developing innovative policies.

State governments are strengthening policies that affect low-income working families in two key ways: 1) investing in programs to advance the skills of adult workers; and 2) helping to meet the basic household needs of working families.

States are investing in adult workers primarily by improving education and skill-development policies that help workers compete in the new economy. This includes working with employers to raise the basic education and literacy levels of workers and allocating financial aid to adults seeking to attend community colleges. Nationwide efforts, including the National Governors' Association *Pathways to Advancement*, C.S. Mott Foundation's *State Sector Strategies*, Ford Foundation's *Bridges to Opportunity* and the Joyce Foundation's *Shifting Gears* initiatives, have supported comprehensive policy reform at the highest levels of state government.

To meet the needs of working families, states are strengthening policies related to pay and benefits. Half of the states now maintain a minimum wage above the federal wage standard, and some states are doing more to provide paid parental leave for family and medical needs and to lower tax rates on the working poor. A number of states have recently created commissions to identify better policies to reduce family poverty.⁹



Implications for Federal Policy

State actions are only part of the answer. The federal government has a role and responsibility to ensure that all hard-working families have a true opportunity for economic advancement and success. It also has a responsibility to help keep American businesses competitive by investing in a higher-skilled labor force.

The nation requires a federal commitment to honor and support the efforts of all working families. That commitment should focus on four key goals:¹⁰

- **Increase the number of working adults enrolled in and successfully completing education and skills-development programs.**
- **Improve wages, benefits and supports for low-income working families and increase the number of good jobs.**
- **Regularly assess the challenges of America's working families and government policies on their behalf.**
- **Focus the nation's attention on increasing economic opportunities for low-income working families.**

The nation cannot afford to ignore the declining conditions of working families. To renew the promise of the American Dream, federal and state governments must strengthen policies to better prepare working families for the economic challenges of the 21st Century. The time to act is now.

The Working Poor Families Project

The increasing challenges confronting America's working families prompted national leaders to launch the Working Poor Families Project in 2002. With assistance from the Annie E. Casey, Ford, Joyce and C.S. Mott Foundations, this national initiative annually examines the conditions of America's working families and supports state nonprofit organizations to strengthen state policies in order to promote economic advancement and success. To learn more, see www.workingpoorfamilies.org. The Working Poor Families Project in 2008 operates in 24 states and the District of Columbia, working with these nonprofit partners:

Alabama: Arise Citizens' Policy Project

Arkansas: Southern Good Faith Fund

Colorado: The Bell Policy Center

Connecticut: Connecticut Association for Human Services

District of Columbia: DC Appleseed Center for Law and Justice

Georgia: Georgia Budget and Policy Institute

Illinois: The Chicago Jobs Council

Indiana: The Institute for Working Families

Kentucky: Mountain Association for Community Economic Development

Maine: Maine Center for Economic Policy

Maryland: Job Opportunities Task Force

Massachusetts: Crittenton Women's Union

Michigan: Michigan League for Human Services

Mississippi: Mississippi Economic Policy Center

Nebraska: Appleseed Center for Law in the Public Interest

New Jersey: Rutgers' Center for Women and Work and the New Jersey Policy Perspectives

New Mexico: New Mexico Voices for Children

New York: Schuyler Center for Analysis and Advocacy and the Center for an Urban Future

North Carolina: North Carolina Budget and Tax Center

Ohio: Community Research Partners

Pennsylvania: PathwaysPA

Texas: Center for Public Policy Priorities

Utah: Voices for Utah Children

Washington: Seattle Jobs Initiative and the Statewide Poverty Action Network

Wisconsin: Center on Wisconsin Strategy

Endnotes

1. Data are derived from the American Community Survey 2006 using the following definitions: A *family* is defined as a primary married-couple or single-parent family with at least one child under age of 18. *Work* is defined as a combined family work effort of 39 or more weeks in the last 12 months or a combined work effort of 26 weeks and at least one currently unemployed parent looking for work in the previous four weeks. *Low-income working family* is defined as a family earning less than 200 percent of the poverty income threshold as defined by the U.S. Census Bureau for 2006, which was \$41,228 for a family of four. Earnings at 200 percent of poverty are used for low-income as a number of studies, including from the National Research Council, have concluded that the poverty threshold is an inadequate measure of economic self-sufficiency as it fails to consider the realistic costs of basic needs for families today.

2. Unless otherwise noted, data presented in this report are based on analyses from the Current Population Survey (health insurance), U.S. Bureau of Labor Statistics (Jobs Paying Below Poverty) and the U.S. Census Bureau's American Community Survey. The analysis of the CPS and ACS were generated by the Population Reference Bureau.

3. Families seeking economic self-sufficiency today must have income to cover an ever increasing array of household basic needs such as housing, child care, health care, food, transportation and taxes. After meeting these expenses, far too many families have little or no income for other family needs such as education and retirement.

4. According to the U.S. Bureau of Economic Analysis, the real per capita gross domestic product increased 8.3 percent from 2002 to 2006.

5. The ratio of income inequality between the top quintile of working families and bottom quintile increased from a ratio of 8.4 in 2002 to 9.2 in 2006.

6. In 2006, \$9.91 is the hourly wage a full-time worker needs to meet the poverty threshold for a family of four.

7. Holzer, Harry and Robert Lerman, *America's Forgotten Middle-Skill Jobs: Education and Training Requirements in the Next Decade and Beyond*. The Workforce Alliance, Washington, D.C. 2007.

8. Report on the National Commission of Adult Literacy, *Reach Higher America: Overcoming the Crises in the U.S. Workforce*. National Commission on Adult Literacy, June 2008, pg. 10.

9. Case, Annette, *Securing State Commitments to Family Prosperity*. Working Poor Families Project, Spring 2008.

10. Waldron, Tom, 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, pgs. 28–29.

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