

THE WORKING POOR FAMILIES PROJECT

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GREAT RECESSION HIT HARD AT AMERICA'S WORKING POOR: NEARLY 1 IN 3 WORKING FAMILIES IN UNITED STATES ARE LOW-INCOME

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INTRODUCTION

During the Great Recession, unemployment rates reached their highest levels in more than 25 years, drawing attention to the millions of Americans who lost their jobs during the economic downturn. But there is another—mostly untold—story in the federal employment statistics: More families who have managed to continue working are hard-pressed to stay afloat in the weak economy.

New data from the U.S. Census Bureau show that in 2009, there were more than 10 million low-income working families in the United States.² Between 2007 and 2009, the share of working families who are low-income—earning less than 200 percent of the official poverty threshold—increased from 28 percent to 30 percent. This now means that nearly 1 in 3 working families in the United States, despite their hard work, are struggling to meet basic needs. The plight of these families now challenges a fundamental assumption that in America, work pays.

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, and to “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](#) is a national initiative

Key Findings from 2009

- ◆ There were more than 10 million low-income working families in the United States, an increase of nearly a quarter million from the previous year.
- ◆ Forty-five million people, including 22 million children, lived in low-income working families, an increase of 1.7 million people from 2008.
- ◆ Forty-three percent of working families with at least one minority parent were low-income, nearly twice the proportion of white working families (22 percent).
- ◆ Income inequality continued to grow with the richest 20 percent of working families taking home 47 percent of all income and earning 10 times that of low-income working families.

that seeks to strengthen state policies that can assist families striving to work their way into the middle class and achieve economic security. For the past eight years, 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 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 success and security.

IMPACT OF THE RECESSION

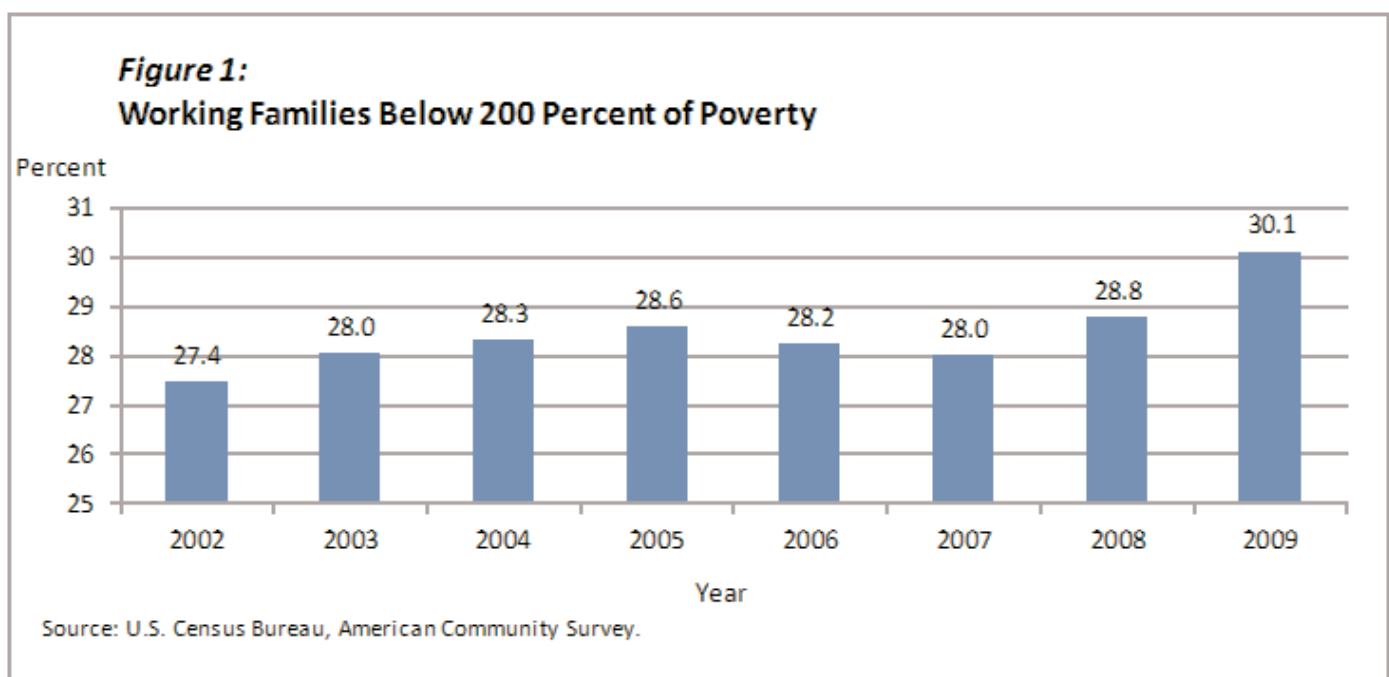
The Great Recession was not only the most severe economic downturn since the 1930s, but—with duration of 18 months—it was also one of the longest. While the recession is officially over, millions of families are still looking for work and struggling to pay bills.

More than half of the U.S. labor force (55 percent) has “suffered a spell of unemployment, a cut in pay, a reduction in hours or have become involuntary part-time workers” since the recession began in December 2007.⁴ Measuring the direct impact of the recession on working families is difficult because there are broader social, economic and

demographic factors at work, many of which predate the recent economic decline.

But it’s clear from the data that conditions for working families deteriorated after 2007 (see Figure 1). The proportion of working families below 200 percent of the poverty threshold increased sharply in 2008 and again in 2009, as many middle-class families fell into the low-income trap. Just between 2008 and 2009, the number of low-income working families increased by nearly a quarter of a million (246,000), adding another 1.7 million to the number of people living in low-income working families.

When the recession hit, many working families joined the ranks of the unemployed or dropped out of the workforce altogether. Others continued to work but saw their incomes drop as businesses tightened their belts. The recession has been especially hard on men, who were more highly concentrated in the depleted manufacturing, construction and financial sectors. Between 2007 and 2009, the proportion of working women with an unemployed husband more than doubled, from 2.4 percent to 5.4 percent.⁵ This means there is a growing proportion of working families in which women—who earn less money, on average, than men—are the primary breadwinners.



Increasingly, workers need a college degree, credential or other specialized training in order to find a job with decent wages, good benefits and opportunities for advancement. During the recession, the unemployment rate for those without a high school diploma peaked at more than 15 percent, compared with 4 percent unemployment among those with bachelor's degrees and higher (see Figure 2). And recent declines in the U.S. manufacturing and construction sectors have made it even more difficult for less-educated workers to find jobs that pay a living wage. In 2008, median earnings for college graduates were \$55,700, compared with \$33,800 for those with only a high school diploma.⁶

A recent national study forecast that 63 percent of all job openings occurring by 2018 will require workers with some level of postsecondary education. Public systems, however, are not producing enough college-educated individuals to meet the demands of a knowledge economy.⁷ In 2009, nearly a third of low-income working families (31 percent) had at least one parent without a high school diploma. In more than half (52 percent) of low-income working families, no parent had any education beyond high school, putting these families at a severe disadvantage in terms of job security and potential earnings.

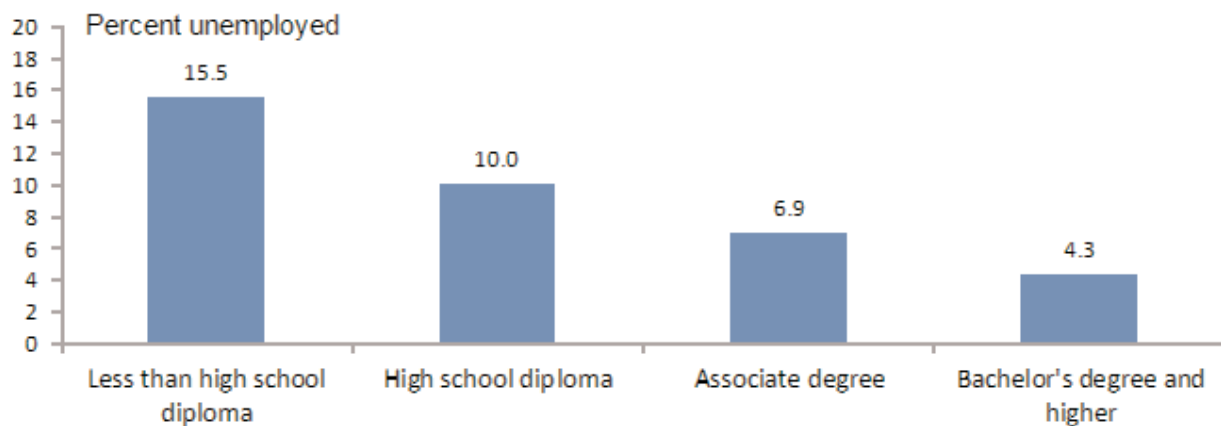
RACIAL/ETHNIC MINORITIES

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 that are needed to earn higher incomes. In 2009, 43 percent of working families with at least one minority parent were low-income, nearly twice the proportion of white working families (22 percent). For both white and minority working families, the proportion below 200 percent of the poverty threshold increased from 2007 to 2009, by 2 percentage points each.

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.

There are low-income families from every racial and ethnic group, but non-Hispanic whites still make up more than two-fifths (42 percent) of low-

Figure 2:
Unemployment Rates by Education Level, March 2009



Note: Data are for the population ages 25 and older.
Source: U.S. Bureau of Labor Statistics.

income working parents. Policymakers need to consider this diversity in formulating policies and programs to improve families' lives. There is also a strong geographic component to these racial/ethnic differences, with low-income black families concentrated in the South, Hispanics in California and the Southwest, whites in Appalachia, and Native Americans in the Midwest.⁸

CHILDREN IN LOW-INCOME WORKING FAMILIES

In 2009, there were about 45 million people living in low-income working families, including more than 22 million children. In just one year, from 2008 to 2009, the number of children in low-income working families increased by more than 700,000.

Children living in poverty tend to have worse health and educational outcomes than children growing up in more affluent families.⁹ For many children, poverty persists into adolescence and adulthood, and is associated with higher risks of dropping out of school, teens having children and lower earnings for young adults.¹⁰

Nationwide, more than 1 in 3 children in working families (35 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

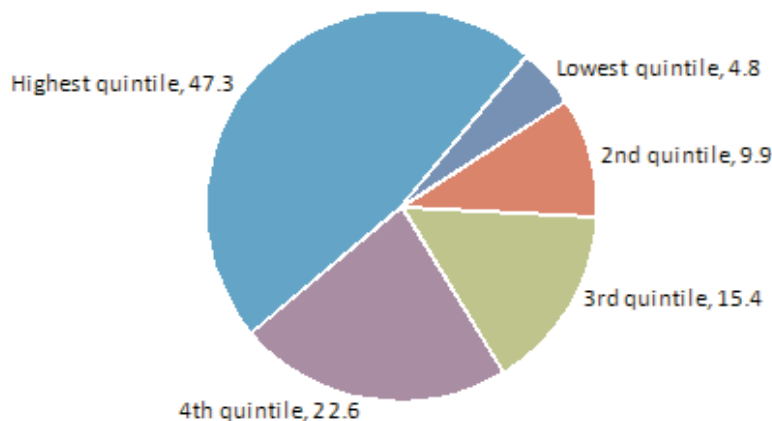
follow the same educational and work trajectories as their parents, and poverty will carry over from one generation to the next. For policymakers, the challenge is to increase economic security for low-income parents so they can provide the necessary resources for their children to succeed in school and eventually the workforce.

INCOME INEQUALITY

There is more bad news in these numbers: The richest 20 percent of working families now take home nearly half (47 percent) of all income, and income inequality is increasing each year. In 2009 those at the top of the economic ladder earned 10 times the income of those at the bottom (see Figure 3).¹¹ This represents a 5 percent increase in income inequality since 2007 and an 11 percent increase since 2004 in terms of the share of income received by working families at opposite ends of the U.S. income distribution.

The divide between higher- and lower-income families goes beyond economics. Increasingly, families from different economic strata are also sorted into different neighborhoods, schools and social networks. These families and their children are at risk of becoming isolated from educational and economic opportunities that could provide a path out of poverty.¹²

Figure 3:
Percent of Total Income Received by Working Families in Each Income Quintile, 2009



Source: U.S. Census Bureau, 2009 American Community Survey.

IMPLICATIONS FOR POLICYMAKERS

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 earn incomes too low to achieve economic security. It also shows that the economic divide between working families at the top of the economic ladder and those at the bottom is growing.

Federal and state policymakers have not addressed this challenge sufficiently in the past. Now the problem is even more severe and the conditions for taking policy actions more constrained. Yet policymakers cannot afford to ignore the declining conditions 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.¹³

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 are directed at:

- ◆ Expanding the number of low-skilled adults who enroll in education and skills development programs and successfully obtain postsecondary credentials valued in the labor market.
- ◆ Improving wages, benefits and supports for low-income working families and stimulating the creation of significantly more good jobs.
- ◆ Regularly assessing the challenges faced by America’s working families and the adequacy and success of government policies that facilitate their 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 effectively 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 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

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ENDNOTES

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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 15 and older either have a combined work effort of 39 weeks or more in the prior 12 months, or all family members 15 and older have a combined work effort of 26 to 39 weeks in the prior 12 and one currently unemployed parent looked for work in the prior four weeks. In 2009, the low-income threshold for a family of four with two children was \$43,512. Unless otherwise noted, data are from the Population Reference Bureau's analysis of the U.S. Census Bureau's American Community Survey. 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 *The Great Recession at 30 Months*, Pew Research Center, Washington, DC, June 2010 (<http://pewresearch.org/pubs/1643/recession-reactions-at-30-months-extensive-job-loss-new-frugality-lower-expectations>).

⁵ Heather Boushey, *Women Breadwinners, Men Unemployed*, Center for American Progress, Washington, DC, July 2009 (http://www.americanprogress.org/issues/2009/07/breadwin_women.html).

⁶ *Education Pays 2010*, College Board Advocacy and Policy Center, 4 (http://trends.collegeboard.org/downloads/Education_Pays_2010.pdf).

⁷ Anthony Carnevale, Nicole Smith and Jeff Strohl, *Help Wanted: Projections of Jobs and Education Requirements Through 2018*, Georgetown University Center on Education and the Workforce, Washington, DC, 2010, 13, 16 (<http://www9.georgetown.edu/grad/gppi/hpi/cew/pdfs/Fullreport.pdf>).

⁸ *Unequal Opportunities for Family and Community Economic Success*. The Annie E. Casey Foundation (http://www.aecf.org/upload/publicationfiles/fact_sheet7.pdf).

⁹ 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; and 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).

¹⁰ Susan E. Mayer, "Trends in the Economic Well-Being and Life Chances of America's Children," in *Consequences of Growing Up Poor*, 46-69; and Greg J. Duncan, Kathleen M. Ziol-Guest and Ariel Kalil, "Early-Childhood Poverty and Adult Attainment, Behavior, and Health," *Childhood Development* 81 (2010).

¹¹ The bottom quintile represents families with income up to \$31,000 annually while the top quintile includes families with income greater than \$116,400.

¹² Mark Mather and Nadwa Mossaad, *Children in Persistently Poor Neighborhoods*, paper presented at the Population Association of America Annual Meeting in Detroit, Mich., March 2009 (<http://paa2009.princeton.edu/download.aspx?submissionId=90826>).

¹³ David Ellwood, *Grow Fast Together, or Grow Slowly Apart: How Will America Work in the 21st Century*, Aspen Institute, 2002.