



Background Paper

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Working Harder for Working Families

by Todd Post

Renee was on her own before her 18th birthday—no family or friends to turn to for help. Poverty seemed to follow her everywhere. She gave birth to her daughter at age 19.

Her relationship with the baby's father was troubled almost from the start. There was physical and verbal abuse that continued after the child was born. Separating from the father seemed to be the safest decision she could make for herself and her baby.

"In poverty, you struggle to find anything to control in your life," says Renee, who is 33 now and out of poverty. Since becoming a mother, Renee has hardly ever been out of work, but she has always held low-wage jobs.

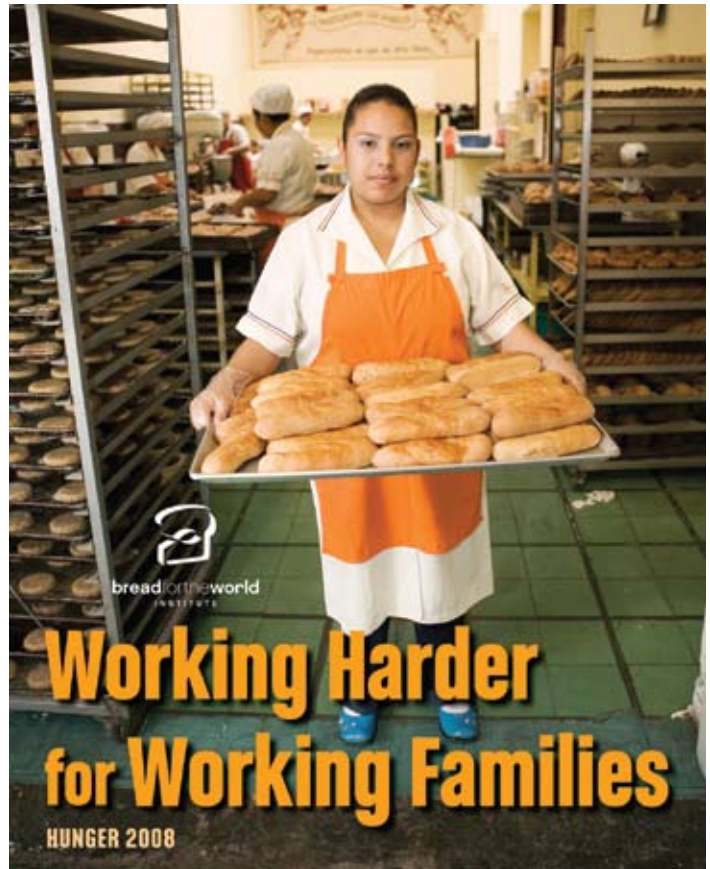
"Food is the kind of thing you feel like you have a little bit of control over," explains Renee. "I saved by buying food on clearance that had passed the expiration date. I cooked from scratch and we never ate out. You can do things to make it stretch. I watered down my daughter's apple juice. I watered down her formula too, but stopped when she became anemic."

Renee's story is not at all exceptional. Of course each family is different, but the fact remains: One in four workers in the United States has a job that does not pay enough to raise a family of four out of poverty. Jobs that pay wages this low may perhaps suffice for a single person or for someone with a working spouse and no children. Once children enter the picture, the eroding value of low-wage jobs is a far more difficult matter.

Bread for the World Institute's 2008 Hunger Report

The U.S. economy has been growing in recent decades, but the benefits have not been shared equally. Workers at the bottom end of the wage scale have actually been losing ground. Low-wage work is worth less today (after inflation) than in the late 1970s.

Presently, two-thirds of children in poverty have one or more parents who work, and one-third have a parent who



works full-time, year-round. Government assistance programs are a lifeline—yet even with safety-net programs such as food stamps, poor families continue to struggle.

"If a mother with a new baby starts working at \$6 an hour and receives 5 percent real (after inflation) wage increases each year," explains a recent report by the Center for Law and Social Policy, "that baby will be in junior high school before the annual wage increases are enough for the mother to no longer be earning poverty-level wages."

Bread for the World Institute's 2008 Hunger Report, *Working Harder for Working Families*, focuses on what can be done to help families that are struggling to get by in low-wage jobs. The report recommends the following: (1) set a national goal to end hunger and poverty; (2) make every job

a good job; (3) strengthen work-support programs; and (4) create incentives for low-income families to save and build assets.

Set a National Goal to Reduce Hunger and Poverty

The United States should make it a national goal to cut hunger and poverty in half by 2015. Setting a deadline is necessary to generate public interest and action for progress toward the goal. Constituent pressure will encourage policymakers to develop flexible approaches and be as creative as necessary.



The Rio Grande Valley in South Texas is one of the poorest places in the United States.

We need a fresh commitment from all stakeholders to break out of the stale, polarizing debate that has kept the country from moving forward. Reducing hunger and poverty will require the effort of families, communities, business and government. What we want is a deeper commitment on the part of everyone to seek innovative approaches. The 2008 Hunger Report is an attempt to encourage innovation on all fronts, but government must lead and serve as the catalyst.

The year 2015 is not an arbitrary choice; this is when the U.N. Millennium Development Goals (MDGs) are to be achieved. The MDGs set targets to improve basic human development indicators, including reducing hunger and extreme poverty by half. The United States has agreed to the MDGs in principle—along with nearly every country in the world. Obviously, the problems confronting the poorest countries of the world are on a much larger scale than in the United States. Nevertheless, problems like hunger and poverty persist even though this is completely unnecessary in a country as rich as the United States. U.S. policymakers can demonstrate their commitment to the MDGs by embracing a strategy to achieve them at home as well.

The national nutrition programs administered by the U.S. Department of Agriculture are an effective safety net for families struggling to put food on the table. But ending hunger permanently depends primarily on reducing poverty. While poverty is clearly a complicated problem that no single policy or program can solve, we recommend a set of coordinated and coherent policy decisions that will move us in the right direction.

In this report, Bread for the World Institute is venturing into some policy areas that are new to us. We recognize this and have sought knowledge and advice from many experts outside our regular circle of partners. We have embarked on this path because of the inextricable link between hunger and poverty. This report seeks to broaden our analysis of hunger in the United States by examining the underlying issues of poverty.

Make Every Job a Good Job

Low-income families need from work what other families need: wages and benefits that ensure an adequate standard of living. In 1968, full-time work at minimum wage amounted to 120 percent of the poverty level for a family of three. Today, working full-time for minimum wage does not even come close to a poverty threshold. Without food stamps and other forms of government assistance, a family with one wage earner employed at a minimum-wage job would be living on the absolute edge of desperation.

Raising the minimum wage would help not only those with minimum-wage jobs, but other workers earning near the minimum. Recently, the federal government took an initial step toward improving the well-being of low-income families: raising the national minimum wage for the first time in 10 years. By July 2009, the minimum wage will be \$7.25 per hour. This is an important step forward, but it is just the beginning of what is needed.

Most low-wage jobs provide few employer-sponsored benefits, such as affordable health insurance. Forty-seven million Americans lack health insurance, 90 percent of whom earn less than 200 percent of the poverty level. Ineligible for government-supported health care, many families must nevertheless turn down employer-sponsored health insurance when it is offered because they cannot afford to pay the premiums.

Over the past 25 years, the U.S. economy has changed profoundly, and so has the relationship between government, business and workers. The union movement played a vital role for much of the twentieth century. Today, unions continue to help workers negotiate better wages and benefits, but union membership has fallen dramatically. U.S. unions would be strengthened by the passage of legislation that lifts restrictions on workers' ability to organize, even if the union movement does not fully rebound.



Rick Reinhard

Berhann Shitaye, an immigrant from Ethiopia, speaks five languages, has a master's degree in agricultural engineering and is treasurer of the Alexandria Union Cab Company in Alexandria, VA.

Without specialized skills or an adequate education, workers in the United States have little chance of securing a job that can support a family. Thirty-five percent of low-income working families include at least one parent who did not finish high school or earn a high school General Equivalency Degree (GED). The United States ranks near the bottom of high-income countries in providing job-related education and training. Greater investments in workforce development are essential if the nation is to remain competitive in a global economy.

Investments in the workforce need to begin early in life. Data show that education—particularly early childhood programs—makes a great deal of difference to later economic success. Investing in low-income children should include expanding preschool opportunities and improving the quality of public schools. More financial assistance needs to be available for college-bound students from lower-income families. The entire country stands to gain from a better-educated workforce.

Strengthen Work-Support Programs

In addition to the millions of families living in poverty, many other low-income people need assistance. Their needs vary, but they include tax relief, an adequate diet, help paying for childcare so that they can work, and access to affordable health care. Programs that provide such benefits reach too few families.

By strengthening the Earned Income Tax Credit (EITC), we can help working families keep more of their income. The EITC is a refundable tax credit that increases for families who have one or two children. However, families with more than two children are not eligible to receive a larger credit—a serious problem because poverty rates in families with more than two children are higher than in families with two children. The EITC was designed to reward families for working, not punish them for having more than two children. It needs to increase with family size.

The Food Stamp Program (FSP) is the nation's flagship nutrition program, serving approximately 25 million people per month. The program does a good job of reaching people in need, but the benefits do not go far enough. Benefits are issued monthly; nearly all have been used by the second week of the month. The FSP could be even more effective in reducing food insecurity if benefits were enough to last the entire month.

Childcare is one of the costliest items in a family's budget. Without some form of assistance, parents are forced to compromise on the quality of care or how much care they can afford. Affordable childcare makes all the difference in whether parents are able to participate fully in the work force or only part-time. The quality of childcare is also critical to a child's safety and well-being and sets the stage for a child's ability to succeed in school. Government funding reaches only about one in seven families eligible for assistance under federal law. There must be a substantial increase in support for subsidized childcare.

Affordable health insurance should be available to every working family in the United States. If employer-based programs are not available, the best options currently are Medicaid and the State Children's Health Insurance Program (SCHIP). In more than half the states, there are adults whose



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income is below the poverty line, yet they are ineligible for Medicaid. Policymakers cite the need to control the rising costs of the programs, but denying people coverage is not the answer.

Raising the participation rates in work-support programs should be a priority, but participation cannot grow at rates even approaching the need for these services until more resources are added. Lack of resources should not slow efforts to look for more efficient ways of operating these programs, though, because efficient administration of existing resources also allows more people to be served.

Create Incentives to Save and Build Assets

Families need to accumulate financial assets to build their financial security and protect themselves in case of a catastrophic loss of income. Presently one in five U.S. families does not have enough assets to cover twelve weeks of lost income at poverty level wages. Most of these families do not actually live below the poverty line. Using an asset lens, rather than an income lens, we see how many more families have only a tenuous grip on financial security.



A resident of Washington, DC, attends a financial education class sponsored by Capital Area Asset Builders.

A large and supportive extended family and a community of friends and neighbors are assets. So are a stable marriage, good health and specialized job skills. All of these are valuable assets that make families more secure. However, the policies addressed in *Working Harder for Working Families* focus on assets that build financial security, primarily for home-ownership, retirement accounts, business development and postsecondary education. Financial assets provide another benefit—hope, which motivates low-income families to plan for their future and adopt new, positive behaviors.

Several studies have documented the positive effects of asset ownership on low-income families. Children in low-income families with assets do better in school and stay in school longer than children in low-income families without assets. Teenagers in families with assets are less likely to become parents than teens in families without assets. Other studies show positive correlations between asset ownership and physical and mental health, both for adults and children.

Broad-based asset-development policies are not unprecedented in the United States. The GI Bill is an example of an asset-building program that allowed veterans from World War II and the Korean War to attend college and purchase homes. The GI Bill was an important catalyst in the expansion of the middle class during the 1950s and 1960s. The Homestead Act of 1862 is another example. Today, one-quarter of all Americans can trace their land ownership back to the Homestead Act.

Naturally it is harder for low-income people to save money than for wealthier people, but it is a misperception to think that they do not or will not. Low-wage workers save money regularly to pay bills and purchase household items. These savings are not as large an amount, nor as long-term, as saving for a home or college tuition or capital to start a business, but nevertheless, poor people do acquire assets and they can be as disciplined about saving as anyone else.

Roles and Responsibilities

It is not up to government alone to do everything; employers, families and communities share the responsibility. But government must lead by example, setting policies that promote prosperity for all, not just a few. Parents must do their part, holding down jobs if at all possible and raising children to be responsible and productive members of society. For the most part, families are living up to their end of the deal.

We all have a stake in working harder for working families. Strong families are the best resource the United States has. Work should contribute to the betterment of family life, not detract from it.