

The Working Poor: Research, Outreach, and Public Policy

This panel discussion provided background information about a sample of working poor, working near-poor and working non-poor from the National Longitudinal Survey of Youth Data (79) and information about fringe benefits available from their employers. Ideas for moving the working poor to self-sufficiency and resources related to the Workforce Investment Act of 1998 were also discussed.

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Introduction

Many families are struggling to provide a supportive environment on limited resources. Some work full-time or part-time, some are unemployed, others are homeless, others are receiving Temporary Assistance for Needy Families (TANF) and other forms of public assistance. These families, working or not, face many obstacles in their struggle to become self-sufficient (Beaulieu, 1999). During the 1990s revisions to the United States public assistance programs began moving families from welfare to work. However, work does not always lift or keep a family out of poverty. If family, individual, and employment characteristics that distinguish the working poor from the working non-poor can be identified, better public policy and outreach programs can be designed. This panel discussion focused on characteristics of a sample of working poor and working near-poor and the availability of fringe benefits from their employers, ideas regarding transitional assistance and strategies for reaching the working poor population, and finally provides resources related to the Workforce Investment Act of 1998.

Characteristics of the Working Poor, Working Near Poor, and Working Non-Poor

In order to get a better picture of the working poor, working near-poor and working non-poor, a sample of young adults from the National Longitudinal Survey of Youth 1979 was utilized to analyze individual and family characteristics as well as fringe benefits available from employers. The National Longitudinal Surveys Youth Cohort (NLSY79) is a sample of 12,686 young men and women between the ages of 14 and 22 first surveyed in 1979 with annual surveys into the 1990s (U.S. Department of Labor, 1999). This study utilized data from 1993.

Because of concern for the arbitrariness of the absolute poverty thresholds, three groups of working individuals were identified, the working poor, the working near-poor, and the working non-poor. The working poor group was composed of individuals who spent at least 27 weeks in the labor force during the year and whose income fell below the official poverty threshold. This definition is consistent with that of the Bureau of Labor Statistics (U.S. Department of Labor, 1999). The working near-poor included individuals who spent at least 27 weeks in the labor force and whose income fell between 100% and 200% of the official poverty threshold, while the working non-poor included those persons who spent at least 27 weeks in the labor force but whose income was above 200% of the poverty threshold.

Human capital variables, residence variables, and personal and family characteristics were analyzed. Human capital variables included in this study were years of education completed and health problems. Urban/rural and region of the country were the residence variables included, while gender, race/ethnicity, marital status, whether youngest child was under 6 years old, age of respondent in 1979, and number of own children in the household were included as measures of personal and family characteristics. Chi-square and t-test procedures were utilized to determine whether differences in the socio-demographic variables existed among the three groups.

In 1993, 4942 young men and women from the NLSY79 met the criteria specified for working poor, working near-poor and working non-poor. Approximately 78.8 percent of the sample were working non-poor, 14.8

percent were working near-poor, and 6.5 percent were working poor utilizing the definitions identified above. In 1993 these individuals were between the ages of 28 and 35. Median income for working non-poor was \$45,261.5 in 1993, while median income of the working near-poor and working poor was \$18,900 and \$8,300 respectively. Compared to the working non-poor, the working poor were more likely to have more children (2.02 compared to 1.05), have less education (11.7 years compared to 13.8 years on average), be female, be black or Latino, have a child less than 6 years of age, have health problems, live in the South, live in a rural area, and be never married, divorced, or separated. The working near-poor were more likely to have more children (1.62 compared to 1.05), be less educated (12.26 years compared to 13.76 years on average), be black, Latino or Asian American, live in a rural area, live in the South, and be divorced or separated compared to the working non-poor.

Availability of Fringe Benefits

Availability of employer-provided fringe benefits such as paid sick leave, flexible work hours, health insurance, retirement plans, etc. is important to workers at all income levels. However, it is especially important for low-income workers and their families since they are less likely than their higher-income counterparts to be able to afford these benefits outside of work. Like any other income group, employer-provided fringe benefits are just as valuable to low-income workers as their wages and/or salary. For example, having paid sick leave will prevent low-income workers from losing money while out of work because of an accident or illness. Adequate health insurance will reduce their out-of-pocket costs for health care.

According to Guyer and Mann (1999), more low-income people are entering the labor force, but at the same time, employer-provided health insurance coverage is decreasing. If low-income workers are less likely than higher-income workers to have employer-provided benefits, then obtaining and maintaining economic self-sufficiency throughout their lives is impossible. Thus, it is clear that the welfare-to-work movement that has taken place over the past few years is not enough to move these families out of poverty (Beaulieu, 1999).

Table 1
Frequencies and adjusted means of fringe benefit availability – 1993 (weighted)

Variables	Working Non-Poor % with benefit available	Working Near-Poor % with benefit available	Working Poor % with benefit available
Medical insurance*	86.22	65.49	42.78
Life insurance*	75.72	53.10	30.24
Dental insurance*	66.44	43.78	25.19
Paid vacation days*	84.25	72.26	50.84
Paid sick leave days*	66.48	44.52	32.02
Maternity/Paternity leave*	70.16	50.90	36.69
Retirement plan*	71.87	46.65	24.27
Profit sharing*	33.99	24.08	13.89
Training and/or educ. Opportunities*	61.66	36.56	19.81
Company provided or subsidized childcare	8.33	4.54	2.06
Flexible work schedule	55.00	45.43	46.31
Mean number of benefits available	6.76	5.11	3.47

Note: *Chi-square with $p < .01$; ^amean significantly different from working non-poor, ^bmean significantly different from working near-poor, ^cmean significantly different from working poor.

In 1993 the NLSY79 asked respondents about the availability of 11 fringe benefits. The frequency of availability and the mean number of fringe benefits, adjusting for the socio-demographic characteristics, for the working non-poor, working near-poor, and working poor are shown in Table 1. Based on the results of chi-square analysis, there were significant differences among the three groups with respect to medical insurance, life and dental insurance, paid vacation and sick days, maternity/paternity leave, retirement plans, profit sharing, training and/or

educational opportunities, company provided or subsidized childcare, and flexible work schedules. The percentage of workers who indicated that these benefits were available through their employer was higher for the working non-poor than the other two groups. However, a higher percentage of the working near-poor than the working poor indicated that these benefits were available through their jobs. After controlling for human capital, residence, and personal and family characteristics variables, using analysis of covariance, the mean number of benefits available was higher for the working non-poor than working near-poor and working poor, and the mean number of benefits available for the working near-poor was higher than the mean number for the working poor.

If the above results indicate that low-income workers have access to fewer jobs that provide fringe benefits, then this is a policy issue. Federal, state, and local governments can initiate policies that require employers to offer certain benefits, especially health insurance to their employers. If the results are an indication that low-income workers are choosing jobs that pay slightly higher wages or salaries over jobs with lower wages or salaries that provide fringe benefits, then financial education is important. Part of this educational effort might focus on the fact that many employer-provided fringe benefits have tax advantages that cause take-home pay of workers to change very little if they sign up for such benefits.

Moving the Working Poor to Self-Sufficiency

The working poor need several kinds of assistance to move toward self-sufficiency. Many will require financial and in-kind support to prevent crises and make ends meet. They need information and skills to help them better manage the demands of work and family, and education or training that will lead to a better job. A critical area of need is increasing their understanding of employee benefits such as retirement plans. Communities need to provide an infrastructure that supports the upward mobility of workers. Besides training opportunities, affordable child care, and transportation, communities need to provide options like Individual Development Accounts to encourage asset accumulation.

A wide variety of programs already exist to assist the working poor, such as the Earned Income Tax Credit, Medicaid, child care subsidies and for many, food stamps. Moreover, many communities have implemented additional programs to support this audience. For a variety of reasons, these programs are under-utilized (Lazare, 1997). Workers may not know about these programs or how to access them.

The needs of the working poor suggests the following outreach strategies to facilitate the move to self-sufficiency:

1. Information for workers about available resources and how to access them.
2. Information for employers about available resources, how to access them, and the need to provide education to workers about employee benefits.
3. Life skills for workers to help them maximize existing resources like time and money.
4. Building community capacity by forming community coalitions to address barriers to upward mobility.
5. Public information campaign to increase public awareness that full-time work does not equal self-sufficiency.

Workforce Investment Act (WIA)

In 1998 the Workforce Investment Act (Public Law 105-220) was signed into law. This law replaces the Job Training Partnership Act of 1982 and is an outgrowth of results from work first programs of the Personal Responsibility and Work Opportunity Act (welfare reform). The legislation consolidates 60-70 federal job training programs, provides funding through block grants to states, allows states flexibility to develop systems in partnership with local governments, establishes business-led boards, and "one-stop shopping" for services. Services provided range from job search assistance to intensive services such as adult literacy and skills development and upgrades.

Numerous resources are available on the World Wide Web. An extensive list of websites that provide information related to WIA have been made available on ACCI's website at: <http://consumerinterests.org>.

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Endnotes

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