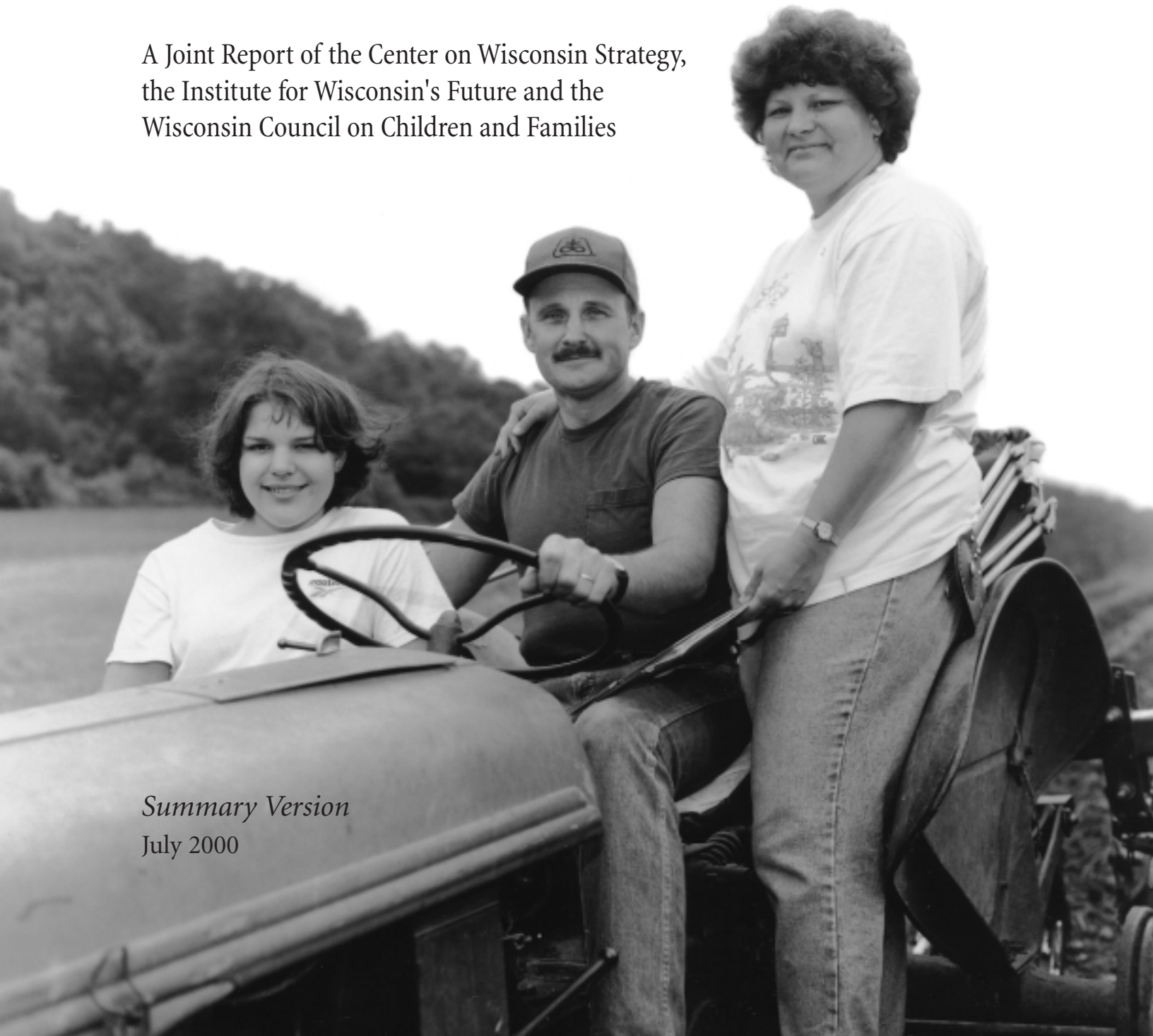


Barely Getting By: Wisconsin's Working Poor Families

A Joint Report of the Center on Wisconsin Strategy,
the Institute for Wisconsin's Future and the
Wisconsin Council on Children and Families



Summary Version
July 2000

Introduction

It may seem like an odd time to worry about the quality of jobs in our state. In recent years, Wisconsin's economic growth has been exceptionally strong. During the 1990's, state per capita income grew almost 10 percent – this is 60 percent faster than the national growth rate. Yet a large segment of the state's working families is locked out of jobs that pay family supporting wages and is unaware of or unable to access critical support services like health care, child care and transportation assistance. These working families struggle, often unsuccessfully, to make ends meet. Wisconsin's booming economy is clearly not paying off for everyone.

Barely Getting By: Wisconsin's Working Poor Families documents key factors affecting this largely invisible segment of Wisconsin's workforce, combining labor market and wage data with profiles of families from communities throughout the state. Behind every economic trend or piece of data are real families. Stories from diverse families across the state make clear that labor market trends are just part of the picture. These families' stories describe the numerous challenges – beyond finding a good job – that they face every day. We conclude with a series of policy recommendations, drawing on best practices that have been proven to both improve job quality and to provide the necessary supports for working families.

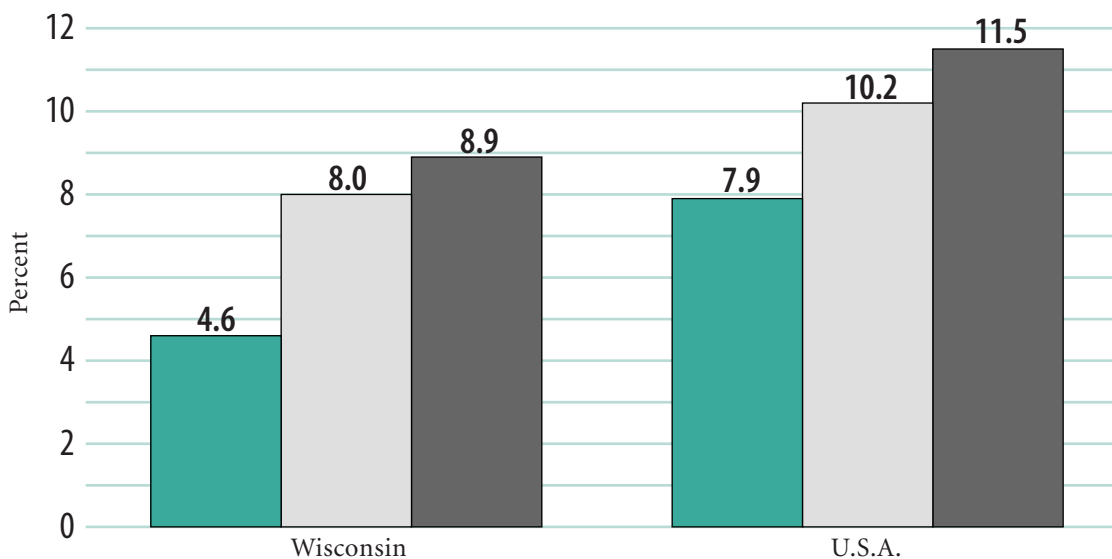
Key Findings

I. Working poverty has increased in Wisconsin over the past two decades

While many state residents are celebrating Wisconsin's new prosperity, tens of thousands of working families have not yet achieved even minimal financial security. In 1997, 3 out of 10 Wisconsin workers held poverty wage jobs. That's higher than in 1979, when just 1 in 4 Wisconsin workers held such jobs. For full-time workers, the story is equally dramatic. In 1997, one out of five full-time, year-round workers held a poverty wage job. That's 20 percent of Wisconsin adults earning less than it takes to keep a family of four out of poverty, up from 15 percent in 1979.

Figure 1

Share of Working Families with Children that were Poor in Wisconsin, 1970s to 1990s



Source: *State of Working Wisconsin, 1998, Center on Wisconsin Strategy.*

■ 1977-79 ■ 1987-89 ■ 1995-97

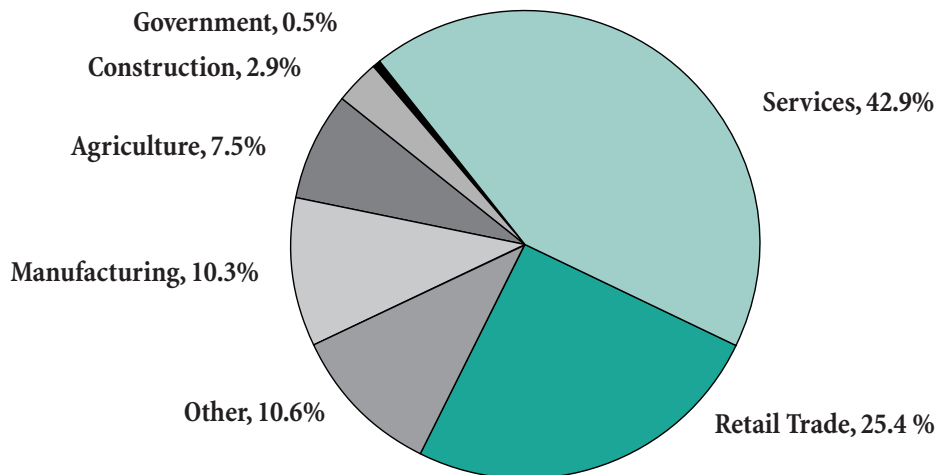
II. Wisconsin's job growth has been concentrated in low-paying industries

Between 1982 and 1998, retail trade and services industries accounted for 56 percent of Wisconsin's net job growth. These industries contain large numbers of low-wage jobs. In 1998, the average weekly pay for Wisconsin in the retail trade industry was \$275. In service industries, it was \$478. Compare these earnings to those in manufacturing (\$700) or finance, insurance, and real estate (\$699 a week).

In the second half of the 1990s, most Wisconsin working parents with low hourly earnings (68.3 percent) held jobs in retail trade and services industries.

Figure 2

Working Parents with Low Hourly Earnings by Industry in Wisconsin, 1995-97



Source: Center on Budget and Policy Priorities, 1998

III. Lack of full-time, year-round jobs leaves workers in poverty

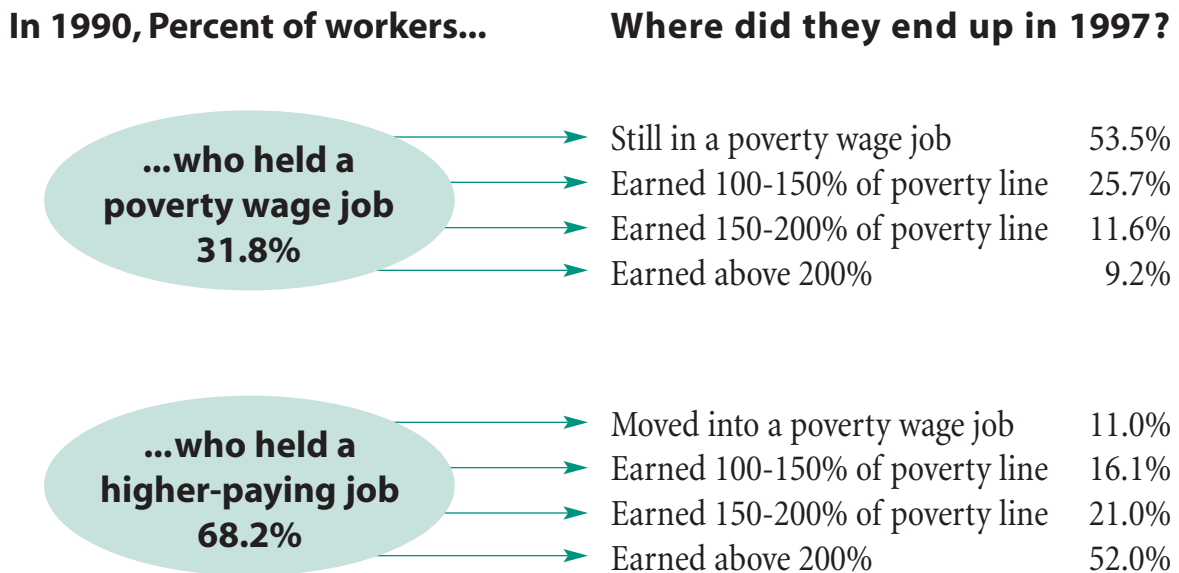
A majority of Wisconsin's working poor families (84.3 percent) had at least one working parent in the years 1995–1997. But only 24 percent of those parents worked the equivalent of full-time, year-round. By contrast, 63.3 percent of families with earnings right above the poverty line had full-time, year-round work. Clearly, lack of access to stable, full-time jobs is a key determinant of poverty.

IV. Workers get caught in the low-wage career trap

An important part of the reality of being a poor worker is that it is a long-term state, one that is very hard to get out of. We call this the ‘stickiness’ of low-wage jobs: for a variety of reasons, some having to do with the worker, some having to do with the jobs themselves, holding a low-wage job often means chronic cycling from one bad job to another, with little gain over a career.

Table 1

The Persistence of Low Earnings over Time in Wisconsin



Source: Authors’ analysis of Wisconsin’s Unemployment Insurance Records from 1990 and 1997.

V. Low wages are a problem throughout the state

Working poverty affects every region of the state. While the greatest number of low-wage workers are concentrated in urban areas (where Wisconsin’s population as a whole is concentrated), residents of Wisconsin’s rural areas are actually more at risk of holding a poverty-wage job, due to limited job opportunities in those communities.

Policy Recommendations

Wisconsin policymakers currently have a unique window of opportunity to ensure that the state's prosperity can be more broadly shared. For example, the tight job market has made employers an ally in the effort to build a skilled workforce. The reductions in the state's welfare rolls have resulted in millions of dollars in surplus funds. And policy makers and the public are coming to realize that training, childcare, health care and transportation assistance are critical for the majority of working families.

The following policy recommendations are designed to build systems that make work pay and support working families.

Make Work Pay

Adjust the federal **Earned Income Tax Credit** so it phases out more slowly (as income increases), and expand the credit for married, two-earner couples.

Increase the state **minimum wage** and index it for inflation.

Implement and expand **workforce development and training** initiatives for the current workforce that allow people to move into family supporting jobs. Expand and replicate comprehensive **partnerships** in leading industries that support technology upgrading, workplace education, and employment assistance for disadvantaged workers.

Implement a **reporting system for corporations receiving state business subsidies** to increase accountability. Require local and state agencies to develop criteria for awarding subsidies, including a policy for wages and benefits for newly-created jobs.

Support Working Families

Expand outreach initiatives and simplify enrollment processes to make sure that eligible families know about and take advantage of critical **support services**.

Make the Wisconsin Shares **childcare subsidies** available to parents enrolled in higher education programs. Explore the feasibility of expanding access to childcare subsidies to families with incomes up to 250% of the federal poverty line.

Eliminate or reduce the BadgerCare **health care** premiums that have proven to be a significant impediment to enrollment for families over 150% of the federal poverty line. Assess the feasibility of expanding BadgerCare coverage to families with incomes up to 250% of the federal poverty line.

Develop initiatives to stabilize **housing** for low-income families; models such as the rent voucher programs utilized by other states should be considered.

Expand efforts to create individual **transportation** solutions, such as low-cost car loans and innovative repair programs. Help low-income workers regain their suspended driving privileges.

Wisconsin's families are working hard to escape poverty. But without more investment in training, support services, tax incentives and wage levels, their efforts will not be successful. To build a strong worker base for this economy, to strengthen the tax base for state operations, and to ensure that workers have the capacity to provide adequate support for their children, policymakers and the public must eliminate the barriers to long term self-sufficiency.

Data Sources and Definitions

Center on Budget and Policy Priorities: Some of the data presented in this report come from the Center of Budget and Policy Priorities' analysis of the Current Population Survey (CPS). The CPS is a survey of roughly 50,000 households nationwide conducted every month. The CBPP report presents the averages of March CPS data 1995 through 1997, a figure referred to as "the second half of the 1990s" when not explicitly stated.

Current Population Survey: The data on poverty wages and earners stem from an analysis of the March Current Population Survey conducted by the Center on Wisconsin Strategy.

Bureau of Labor Statistics: The data on average weekly pay and net job growth by industry come from the U. S. Bureau of Labor Statistics' "ES202" data series, which is based on reports employers file as part of their unemployment compensation taxes.

Department of Workforce Development: We use a 5% sample of wage records drawn from the Unemployment Insurance data files that are maintained by the State of Wisconsin, Department of Workforce Development.

Family Profiles: Family profile interviews were conducted by AFL-CIO community liaisons and Wisconsin Council on Children and Families staff between March and May 2000.

Definition of poverty: In the 1950s, the "poverty line" entered the national pantheon of statistics. The definition was imperfect when it was developed and the problems with it have grown over time. However, it remains the most common benchmark on material deprivation, the key indicator of life in poverty. For a family of four in 1999, the poverty line was just \$16,895.

Contact Information

THE CENTER ON WISCONSIN STRATEGY

The Center on Wisconsin Strategy (COWS), based at the University of Wisconsin-Madison with a field office in Milwaukee, is a research and policy center dedicated to improving economic performance and living standards in the State of Wisconsin.

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The Institute for Wisconsin's Future (IWF) is a nonprofit public policy research and community education center. Its mission is to inform Wisconsin residents about issues and policies that affect their lives and to encourage broader citizen involvement in public policy debates and decision making.

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WISCONSIN COUNCIL ON CHILDREN AND FAMILIES

The WCCF is an independent child advocacy organization that promotes the well-being of children and families in Wisconsin. Through a combination of research, policy analysis, coalition building, and public education, WCCF advocates for effective and efficient health, education, and human service delivery systems.

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