

Treading Water in the New Economy

An Overview of Wisconsin's Low-wage Working Families

Summary Version

September 2001

Institute for Wisconsin's Future

Kathleen Mulligan-Hansel, Ph.D.

Jack Norman, Ph.D.



1717 S. 12th St., Suite 203
Milwaukee, WI 53204
(414) 384-9094
www.wisconsinsfuture.org

OVERVIEW

Wisconsin's growing population of working poor families earn too little to meet many basic needs and receive few benefits from their employers or government. They have more severe economic problems than policymakers anticipated, and programs to alleviate the problems are not working effectively. As a result, fundamental changes in public and private support programs are needed, if the working poor are to achieve self-sufficiency and fill the large number of skilled job vacancies.

In the past, research and public policy have largely focused on the circumstances of the very poor. But the decline in welfare rolls under Wisconsin's W-2, and the simultaneous labor shortage, have created new interest in the working poor. About two-thirds of the families that left public assistance for work are now members of the working poor. These families may have escaped "dependency," but few have escaped far from poverty. They have joined an already existing group – a large but invisible presence of people who work hard, but struggle with low incomes and little help. While new state policies, including BadgerCare and childcare assistance, have been extended to this group, the lack of data on the circumstances of the working poor hamper the implementation of effective solutions to their problems. Furthermore, employers need more data on the working poor in order to provide the work supports and training programs needed to attract employees and move them from entry-level to higher-skilled jobs.

Low-wage workers and their families are average Americans, working hard, earning too little to meet many basic needs, and receiving few benefits from employers or government. Many of these working poor families are treading deep economic water and going nowhere.

The Institute for Wisconsin's Future contracted with the University of Wisconsin-Milwaukee's Center for Urban Initiatives and Research in September 2000, to conduct a phone survey of 480 families, a representative sample of Wisconsin's 800,000 working parents with annual family incomes below \$40,000. The survey was designed to produce a demographic profile of the working poor; an overview of income, work conditions, and the impact of support programs; and data on access to and use of training that would increase upward job mobility.

The findings are stark. Low-wage workers and their families are average Americans, working hard, earning too little to meet many basic needs, and receiving few benefits from employers or government. Many of these working poor families are treading deep economic water and going nowhere. They are playing by the rules and losing.

ANALYSIS OF HOUSEHOLDS BY FAMILY TYPE			
	Single-parent	2 parent, one formally employed	2 parents, both formally employed
Percentage of sample	36%	11%	53%
Income			
Below \$30,000	75%	72%	41%
\$30,000-\$40,000	25%	28%	59%
Race			
White	80%	87%	93%
African-American	11%	8%	2%
Age			
Median age	38	37	36
26-49	86%	81%	86%
Number of children			
Median number of children	2	2	2
Any children at home under age 6	42%	58%	57%
Other dependent in the home	8%	8%	4%
Work status			
Currently working	89%	87%	93%
Workweek hours			
More than 30 hrs/wk	86%	91%	63% (both parents)
40 hrs/wk or more	73%	85%	60% (both parents)
Years at current job			
Less than 1 year	17%	26%	21%
More than 5 years	35%	43%	45%
Received Public Assistance			
Ever	36%	28%	18%
Within Last 3 Years	12%	6%	3%
Currently Receive			
Childcare Assistance	16%	7%	5%
Currently Receive Government Assistance for Health Insurance	25%	30%	15%
Have Access to an Employer Health Plan	83%	73%	69%
Use Employer Health Plan for Some Family Members	67%	60%	44%
Total Number of Un- or Under-insured Families	49 28%	13 25%	14 6%

Who are the low-wage working families?

The survey respondents were typical Wisconsin families. The majority were hard-working two-parent families with two children.

- 64% were married or part of an unmarried couple.
- Median number of children per family was 2; 51% had children at home under the age of 6.
- 62% of the respondents worked 40 hours a week or more.
- Among 75% of couples, both parents worked 30 hours a week or more.

Household income is low. Overall, 79% of the households represented in this sample had incomes below \$35,000. Almost half (46%) of the two-parent families reported an income of \$30,000 or below—170% of the federal poverty level for a family of four.

Why do working families have low incomes?

The mythology of low-income workers suggests that they are students, retired or new participants in the labor market. The reality is that these workers are middle-aged, have strong commitments to their jobs, and do not cycle in and out of the labor force or make frequent job changes.

- Respondents' median age was 37; 87% were between 26 and 49.
- 78% had been at their job for over one year.
- 43% had been at the same job for over five years.
- 64% have had no more than two job changes in the last five years.
- 94% had not received public assistance within the past three years: 75% had never received assistance.

Many of the families in this survey had difficulty affording basic necessities. A Milwaukee County family with two parents and two children, where both parents work full-time, would require an annual income of \$44,304 to cover household costs. In rural areas, where both costs and wages are lower, the same family would need \$35,748.

Is the state helping low-wage families?

Three out of four families had not benefited from any of the state or federal support programs. Working family support programs, such as BadgerCare and Wisconsin Shares, were created to help parents in low-paying jobs cover critical but expensive needs. Research shows that childcare for one child can cost up to \$7,000 per year, while health insurance costs for families are rising. But many working parents received no help.

- 64% had never received Food Stamps.
- 64% had never received unemployment insurance.
- 80% were not receiving any public assistance for health insurance.
- 91% were not receiving help paying for childcare.

Do low-wage workers receive employer benefits?

Many employers do not offer basic benefits. Working parents in the survey reported that they were not receiving vacation, sick time, family leave or health insurance. Of those who were working when surveyed:

- 26% had no paid vacation.
- 57% had no paid sick leave.
- Only 26% received paid personal leave.
- 23% did not have access to an employer-provided health insurance plan.

Do low-wage workers have health insurance?

Many families in the survey were not fully insured. Some families had no insurance, while other families were “under-insured” – they lacked coverage for one or more family members. The rate of under- and un-insured families in this sample exceeded all estimates for the state of Wisconsin.

- 16% of the families in the survey population were un- or under-insured.
- Among families with incomes below \$20,000, 21% had unmet health insurance needs for one or more members.
- Of the families with incomes above \$30,000, 12% reported lack of insurance for one or more family members, higher than the state average.
- Over 40% of the families with unmet health insurance needs used an employer plan to cover some family members but lacked coverage for spouses, children, or both.

Can low-wage workers move up the career ladder?

Most of working parents reported little opportunity for improving their work and family life with better employment. Either the jobs they held offered minimal opportunities for advancement or the job they sought required a major improvement in skills or education levels.

- 40% saw no opportunities for advancement in their current job.
- Only 46% believed they could act on the opportunities that existed.
- 58% knew of a better job but these require specialized training or higher education (e.g. nursing, law, aviation, electronics, teaching, construction, and vocational rehabilitation).

Paid sick leave, paid vacation time, paid personal time and employer-subsidized health insurance are generally available to families with higher annual incomes. Low-wage working parents are in a double-bind. They face both the difficulty of supporting their families on lower incomes, as well as the lack of critical employer supports that make it possible to combine work and family.

POLICY RECOMMENDATIONS

The problems faced by Wisconsin families in this survey are profound, but they are not intractable. Public policies can be modified to effectively address the difficult facts of working family life.

HEALTH CARE *Improve access to BadgerCare and increase the scope of eligible families.*

- Increase BadgerCare eligibility to 250% of federal poverty line.
- Improve the effectiveness of mail-in BadgerCare application using proper outreach and simplified application procedures.
- Cut the link between BadgerCare and the welfare system. Create outstations for enrollment with evening and weekend hours.

CHILDCARE *Increase the number of families eligible for assistance, reduce co-pays and expand availability of quality childcare services.*

- Extend eligibility for childcare subsidy to 250% of the federal poverty level.
- Develop policies that ensure the availability of affordable, quality childcare.
- Reduce co-pays for participants in Wisconsin Shares.
- Make Unemployment Insurance available to part-time working parents.

EMPLOYER BENEFITS *Work to ensure all employees have maximum access to basic benefit packages.*

- Expand coverage of current family and medical leave provisions, for part-time workers or workers employed by smaller businesses.
- Permit coverage for routine parenting demands, such as school meetings and routine medical visits.
- Explore strategies to provide income for workers who take family and medical leave.

EDUCATION AND TRAINING *Expand access to work-based training programs.*

- Develop and support sector-specific training programs that are linked to existing jobs.
- Organize training programs in modules that accommodate the schedules of working parents so part of the workday is reserved for training.
- Explore obstacles to job mobility in key service sectors and develop industry-wide strategies for creating career ladders and job stability initiatives.
- Support and train parents that are already working, with stipends and childcare provision, rather than reserving this assistance for people receiving public assistance.