

# Can the Working Poor Move Ahead?

Implications for the Workforce Development System of *Working Hard But Staying Poor: A National Survey of the Working Poor and Unemployed*

## I. Introduction

The process of reinventing the workforce development system based on the requirements of the Workforce Investment Act of 1998 (WIA), which goes into effect in July 2000, is now underway. Workforce Investment Boards (WIBs) and other workforce development constituents and stakeholders are beginning to develop new approaches to worker education and job training.

*Working Hard, Staying Poor: A National Survey of the Working Poor and Unemployed*, provides new findings on the demographic and employment characteristics, concerns, experiences, and policy preferences of a large group of potential “consumers” for employment services in the workforce investment system (WIS).

The study also points to specific policies and programs the workforce development community should consider to better serve the population of working poor and unemployed individuals seeking training and job opportunities.

The survey shows high interest among low-income workers in upgrading their skills and strong dissatisfaction with opportunities for career advancement. The views of the working poor present a substantial opportunity for expanding participation in public as well as private sector education,

job training and skills development programs. These findings underscore the importance of the larger call for action under the WIA.

The survey findings are based on 500 telephone interviews with adults 18 or over whose total household income is less than or equal to twice the federal poverty level. While some interviews of unemployed adults were conducted, the vast majority of the respondents were employed and living at or below 200% of the poverty line. The fieldwork was conducted May 22 through June 15, 1999. The margin of error is +/- 4%.

*Working Hard, Staying Poor* is a recent survey in the quarterly Work Trends series conducted by the John J. Heldrich Center at Rutgers University and the Center for Survey Research and Analysis at the University of Connecticut.

## II. Profile of the Working Poor

As WIB members, employers and other workforce development stakeholders work towards restructuring the WIS, the survey provides insights on how WIBs can better plan programs and solutions that address the needs and experiences of the millions of Americans who are living in or near poverty despite being employed.

The survey found the typical working poor<sup>1</sup> individual is a single white woman 30-49 years old who works one full-time job for 40 hours a week that she has held for at least a year, earns less than \$25,000 annually, is paid by the hour, has a child under the age of 18, has little or no paid vacation time, has not received cash welfare, but at some time has received some form of public assistance, most likely an Earned Income Tax Credit.

### Employment Characteristics

In general, the working poor have full-time jobs and fairly stable employment.

- Most (71%) of the working poor have been in their jobs more than 1 year, and 42% have been in their job more than three years.
- Among those who have held a job for less than a year, 44% held two or more jobs in the last year and 22% were unemployed for more than 6 months.
- On average, the working poor work a total of 40 hours in a typical week with 27% working more than 40 hours.
- Most (71%) of the working poor have jobs that pay by the hour.

- The working poor receive very little paid vacation with half (48%) reporting no paid vacation and another 18% reporting a week or less of paid vacation.

### Experience Of The Working Poor With Public Assistance & Job Training Programs

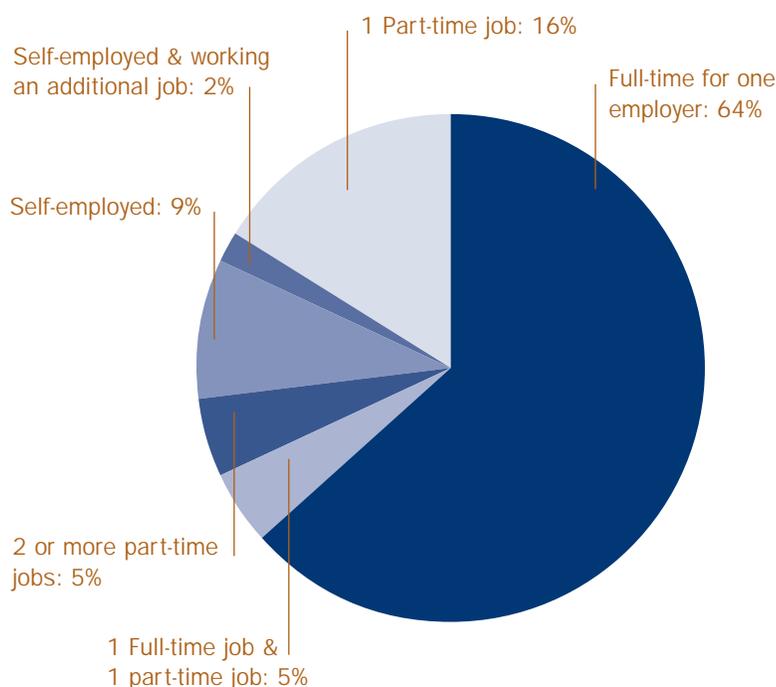
Many studies of the poor focus on individuals participating in poverty programs such as welfare or Medicaid. As shown in this study and through other research, the vast majority of the working poor and unemployed do not participate (and have never participated) in these programs. Those on welfare or Medicaid are only a subset of the broader working poor and unemployed population surveyed.

Only 27% of low income workers have received financial assistance from the government for education and training. Those that have participated, however, report high levels of satisfaction with these programs. The Fall 1998 Work Trends survey found among those who have participated in government-funded education or training program, 78% found their experience “extremely” or “very” helpful.

Since the vast majority of the working poor have not used various government assistance programs and have not been matriculated into the workforce development system, in many ways they represent an untapped market for public education, job training and work assistance programs.

Additionally, because the Work Trends surveys show that many working poor individuals have not received public assistance

Fig. 1: Employment Situation of the Working Poor



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or job referrals, the private sector is their primary source for job information and training assistance. This reinforces the importance of the new influence given to employers under the WIA. Employers represented on WIBs should address their expanded role in providing information about and access to public job training opportunities for lower-income workers.

### *The Poor vs. The Near Poor*

The working poor population we surveyed is composed of two distinct groups: those living at or below the poverty line which is \$12, 802 for a family of three and \$16, 400 for a family of four (The Poor) and those who earn between 100% and 200% of the federally defined poverty threshold (The Near Poor).

In examining the differences between the groups, the survey found two dramatically different portraits of economic life emerged. While a significant majority (85%) of those with incomes under 200% of the poverty threshold are working, the Poor have less job stability, are more dissatisfied with their jobs, have less vacation, are much more concerned about earning enough money to support their families, have more difficulty paying their bill, and more likely to use government support than the Near Poor.

### *The Working Poor Vs. The General Working Population*

Using data from two previous Work Trends reports, the working poor (including The Poor and The Near Poor) were also compared with the rest of working America (workers with an income more than twice the poverty threshold)<sup>2</sup>. The comparison

between the working poor and the “Working Non-Poor” (WNP) reveals significant differences of note to the workforce development community in understanding the demographics of the working poor and in structuring the scope and focus of outreach efforts.

A member of the working poor is likely to be a single white (non-Hispanic) female with at least one child under the age of 18 living at home. In general, the working poor are composed of a larger percentage of minorities than the WNP. Among the poorest of the working poor, 45% are minorities and 63% are women as compared to 59% of the overall working poor population and 44% of the WNP.

The working poor also tend to be less educated than the WNP. Although about the same percentage of the WNP and the working poor obtained a high school degree, a much greater percentage of the WNP achieved a college degree or greater (25%) than the working poor (9%). The working poor are less likely to work full time and work fewer hours than the WNP. On average the WNP work slightly more hours in a typical week (44) than poor workers (40).

In addition, the working poor are more likely to have dependent children and less likely to be married. About half as many the member of the working poor have a working spouse as compared to the WNP (25% vs. 49%). This difference is even greater comparing among the poorest of the working poor. In many cases, the absence of a working spouse is the most significant factor that throws a household into poverty.

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<sup>1</sup>The term working poor refers to those who are employed and living at or below 200% of the poverty line.

<sup>2</sup>For the purpose of this comparison, those earning more than 200% of poverty (generally more than \$25,000) will be referred to as the Working Non-Poor (WNP).

### III. Moving Up the Economic Ladder: Issues & Concerns

The working poor have less access to the critical paths of opportunity in the new economy—higher education, job training, job growth in suburban neighborhoods, childcare support, and information technology.

Although the working poor and the rest of working Americans are satisfied with their jobs in general, the working poor are significantly less satisfied with various employment benefits including their health and medical coverage, their retirement/pension plans, their amount of vacation time and opportunities for education and career advancement. Among the poorest of the working poor, this dissatisfaction is even greater. The largest differences on satisfaction exist on income, health and pension benefits. In each case, about half the working poor are satisfied compared to about three-fourths of the rest of American workers.

In addition, the working poor and unemployed have less access to the critical paths of opportunity in the new economy—higher education, ongoing job training, job growth in suburban neighborhoods, childcare support, and information technology.

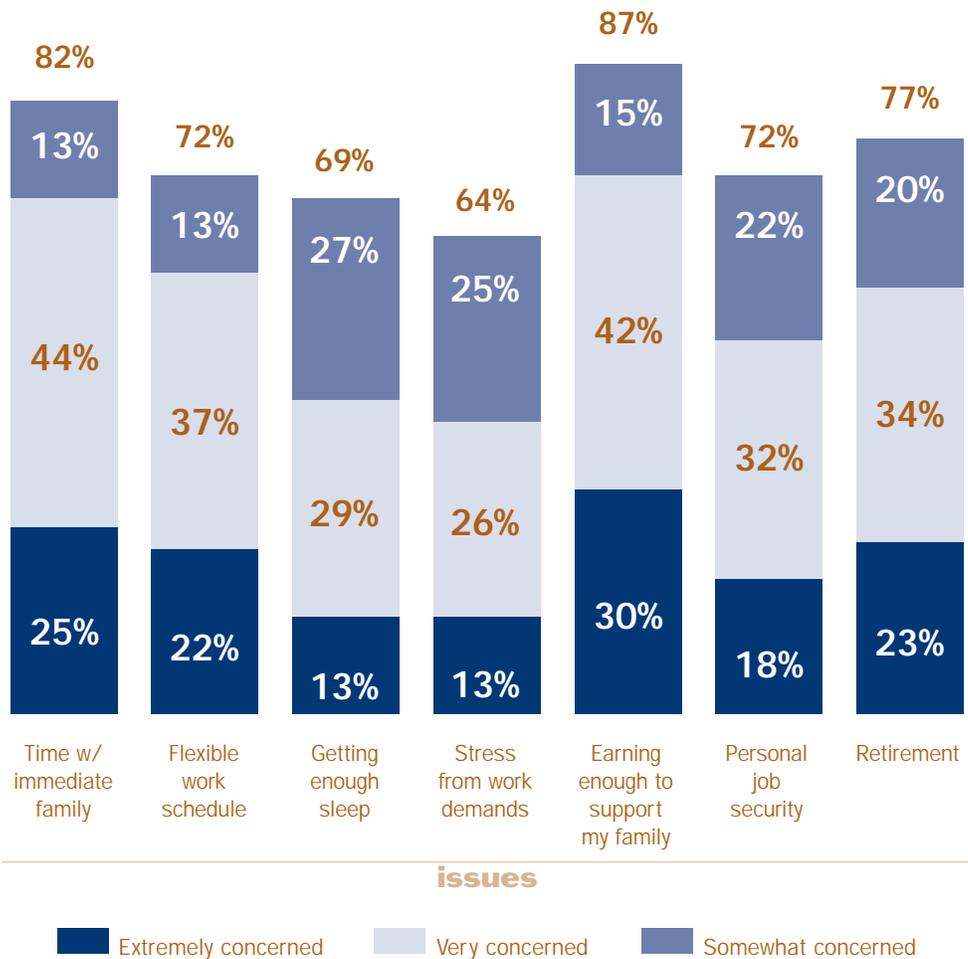
No other public institution in American life offers as much potential to address this myriad of hurdles than the workforce development system. By bringing employers, non-profits, organized labor, educators, and government officials together into working a partnership, WIBs are empowered to address these persistent barriers to upward mobility for the working poor.

#### Economic Security Concerns

The desire and interest in moving up the economic ladder among the working poor is clear. The Working Poor are eager to

work more hours, and improve their skills and they are dissatisfied with opportunities for advancement and continuing education provided by their employers. In fact, the

Fig. 2: Concerns Among the Working Poor and Unemployed



Unless more education and training opportunities become available, 'technology poor' and 'working poor' will remain linked.

Working Poor have a greater desire to work more hours and more desire to upgrade their skills than the WNP. Despite these ambitions, the working poor are finding it difficult to survive financially.

Almost all (87%) of the respondents report that they are concerned about earning enough money to support their family with 72% indicating that they are very or extremely concerned. Although most low income workers have full-time jobs, almost all are concerned about earning enough money to support their families and over half (55%) of respondents report having difficulty paying all their bills. When asked how much additional income is necessary to take care of their family needs, two-thirds (68%) of the working poor indicate that they need less than \$200 in additional income per month and half (47%) report that they need less than an additional \$100

per month. A worker earning the minimum wage would have to work about 5 extra days per month to earn \$200, a substantial increase in time.

### Overcoming Barriers

The survey findings show that the working poor and the unemployed are seeking a better life, and are willing to work for it. Despite these ambitions, the working poor and unemployed find it difficult to obtain opportunities for advancement.

Overall, about half (55%) of low income worker are satisfied with opportunities for education and training offered by their employers. While a significant majority (82%) of the working poor and unemployed report that more education is important in order to obtain the job they want, only 18% have received financial support from employers to get further training compared

Fig. 3: Barriers to Getting a Better Job — the Working Poor and Unemployed

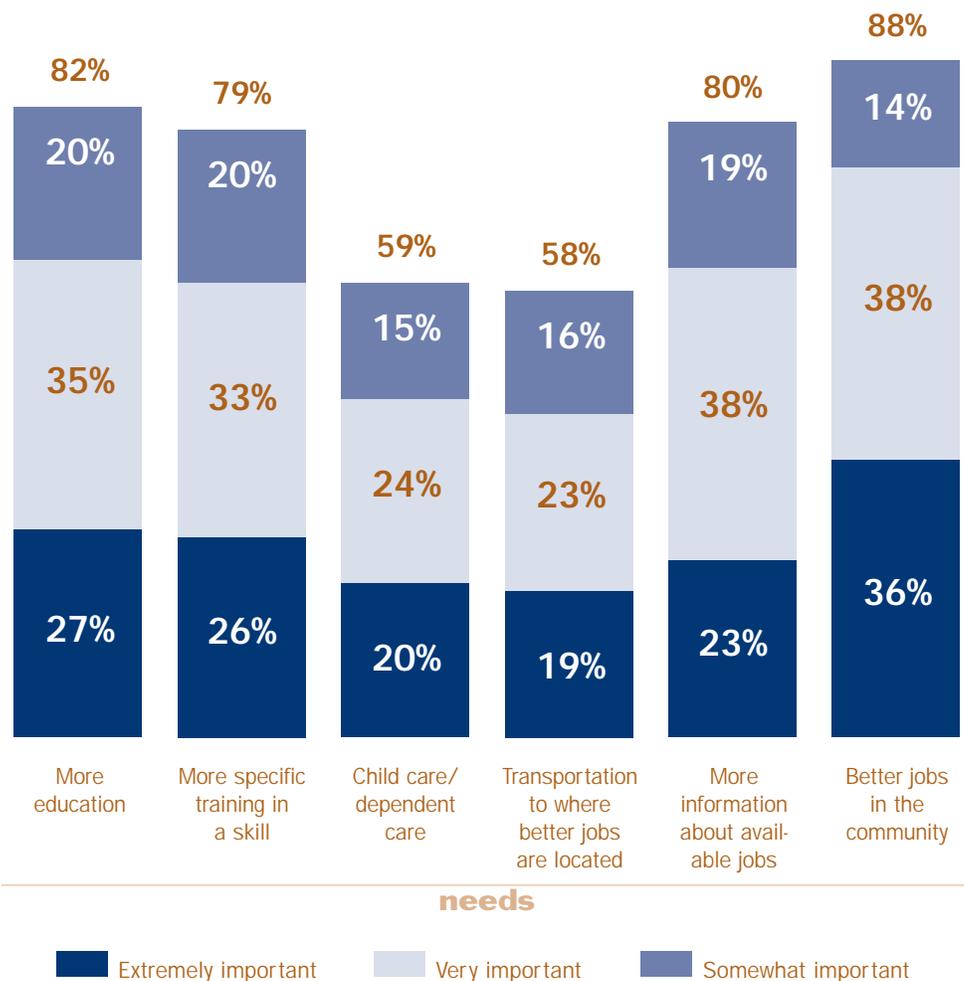


Fig. 4: Policies and Programs the Working Poor and Unemployed Would Use

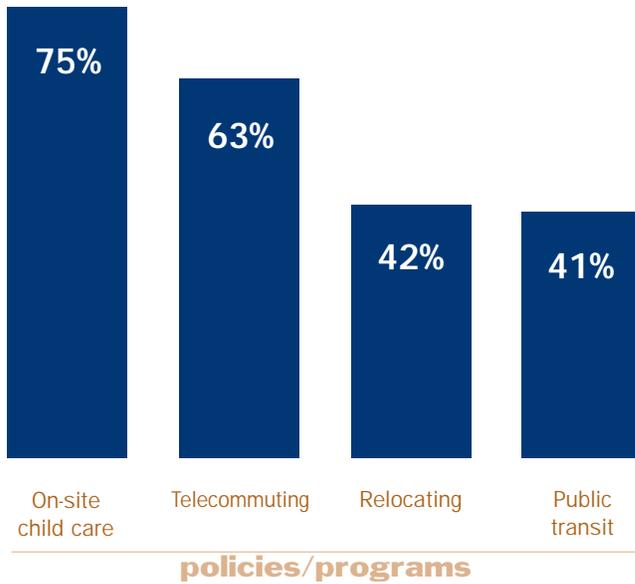
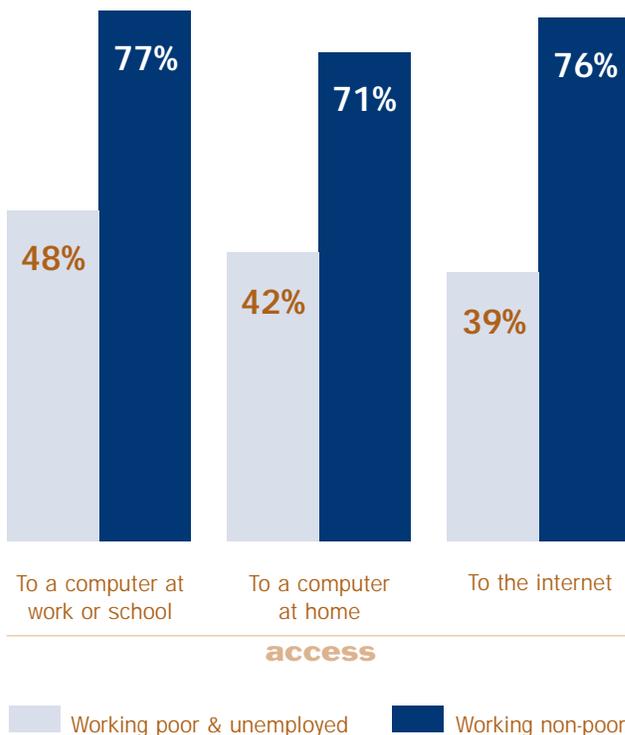


Fig. 5: Access to Technology — The Working Poor and Unemployed vs. The Working Non-Poor



to 36% of other working Americans. If their employer offered tuition remission, 81% of respondents report that they would enroll in an education or training program. If time off from work to attend education or training were offered by employers, 54% would take advantage of this opportunity.

In addition to education and training, the working poor and unemployed report that job and housing location are key ingredients in obtaining the jobs they desire. Almost nine out of 10 respondents (88%), express the need for better jobs in their community.

The working poor and unemployed show favorable responses to policies and programs that help them to address the problems associated with the location of jobs outside their neighborhoods: 75% would take advantage of on-site child care; 63% would telecommute if offered by their employer; 42% would move to another neighborhood; and 41% would take public transit to work if it was available.

One of the clearest paths to career advancement and high wage jobs is upgrading skills and education. High wage jobs in particular require computer proficiency and skills. The survey findings show that the working poor are lagging behind in obtaining these skills and accessing information technology. Nearly three-fourths (71%) of the WNP have access to a computer at home, compared to less than half (42%) of the working poor and even fewer (33%) of those living below the poverty line. When it comes to accessing the Internet, 76% of the WNP have access compared to only 39% of the working poor. In terms of using the Internet, only 15% of the working poor access the Internet daily compared to 25% of the WNP.

Significantly lower levels of computer and Internet access threaten to further disenfranchise the working poor and unemployed from the technology-driven economy. Unless more information technology education and training opportunities become available, 'technology poor' and 'working poor' will remain linked.

## IV. The Workforce Development System: Implications & Solutions

The experiences and aspirations of the working poor and unemployed documented in the survey have a number of implications for WIBs and workforce development professionals. As we have shown, the working poor have high levels of interest in public and private sector work-based training and education programs. The barriers they face in learning about and accessing the workforce development system can be viewed as substantial opportunities for WIBs and other workforce development professionals who are empowered by the WIA to make customer-driven changes that increase the quality of and participation in public job training programs.

We believe the following strategies can further the work of WIBs and all workforce development professionals in addressing the economic security of low-income workers and assisting low-income individuals to obtain and retain employment.

### *Recommendations for WIBs*

- Plans for WIA should respond to the needs of the working poor articulated in this study, and be further refined as needed on a local basis.
- One Stop Career Centers should incorporate computer literacy as part of basic skills assessment and training.
- To complement these efforts, One Stop Centers and partner organizations can expand access to job information by providing computers and Internet access along with information on public and private job services and placement websites.
- To reach the large audience of workforce development customers, One Stop Career Centers should consider developing marketing campaigns to attract local customers.
- Transportation needs should be included in assessments of a customer's employment skills and needs. In addition, information on job openings should indicate access to transportation routes.
- Existing social service transportation programs should be coordinated to link under-served neighborhoods to job

corridors and corporate parks. The Medicaid transit service is one such program.

### *Private Sector Initiatives*

- The working poor and unemployed are more likely than the rest of American workers to have dependent children under the age of 6. On-site childcare will help attract and keep quality workers.
- Telecommuting is another alternative to addressing location and childcare problems between the employers and the regional labor pool. Almost half of the working poor report that they could do their job from a remote location part of the week if they had access to a computer. Companies can also work with One Stop Centers to develop these opportunities for qualified low income workers.
- Provide employees with ongoing education and training opportunities and offer workers tuition reimbursement and time off to attend classes.
- Work with libraries and other public institutions to provide greater access to job information available on the Internet.

### *Actions Government Can Take*

- Increasing the minimum wage from \$5.15 to \$6.15 per hour—a policy decision supported by the vast majority of Americans—would raise the monthly income for a full-time worker earning minimum wage by about \$170 which is enough extra money for most who report having difficulty in paying monthly bills.
- Expand government’s role in providing financial support and direct services to individuals seeking jobs or seeking to upgrade their skills. In the Fall 1998 Work Trends survey, 65% of Americans reported that this was very or extremely important. For those with less than a high school degree, 89% said this was very or extremely important (compared to 53% with a college degree).
- The workers we surveyed made it clear that they are extremely concerned about the security of their health and retirement benefits. All members of the workforce development system as well as state and national government leaders, should support expanded public discussion of legislative efforts to improve managed care, ensure that children and workers have access to health insurance, design changes to protect Social Security through the next century, and protect worker pensions. A new work-based safety net that addresses these national concerns is an important focus for policy debates in the post-entitlement era.

## About The John J. Heldrich Center for Workforce Development

Founded in 1997, the Heldrich Center is the first university-based organization devoted to transforming the workforce development system at the local, state, and federal levels. The Center identifies best practices and areas where government performance should be improved and provides professional training and development to the community of professionals and managers who are responsible for making the workforce investment system work.

The Center provides an independent source of analysis for reform and innovation in policy-making and is engaged in significant partnerships with the private sector to design effective education and training programs.

This Work Trends Policy Guide is the first of many that the Heldrich Center will produce and share with the Workforce Development Community. For any questions about the survey or the policy recommendations in this guide, please contact Duke Storen (storen@rci.rutgers.edu). The full survey report and more information about the Heldrich Center can be found at [www.heldrich.rutgers.edu](http://www.heldrich.rutgers.edu).