



The Bell Policy Center

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Report dispels myths about poverty

By Spiros Protopsaltis

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Low-income families do not work hard. Poor families are headed by single or young parents. Low-income working families are overwhelmingly minority or immigrant. These are some of the many myths about poverty that are dispelled by a new report that analyzes the latest information available from the United States Census Bureau.

Working Hard, Falling Short: America's Working Families and the Pursuit of Economic Security was produced by the Working Poor Families Project supported by the Annie E. Casey, Ford and Rockefeller foundations. Colorado was among the 15 states that were part of this national initiative that began in 2001 to assess the efforts of states and the federal government to assist low-income working families with children. (The state report, *Opportunity Lost: When Hard Work Isn't Enough for Colorado's Families*, was released by the Bell Policy Center in April, and echoed many of the national report's findings).

Many of the findings in *Working Hard, Falling Short* will come as a surprise to those who think they know what poverty looks like based on stereotypes, not facts. For example, we all know that unemployment can lead to poverty, but hard work is supposed to protect families from economic distress. But the sad truth is that more than 27 percent of working families in this country are low-income. More than seven out of ten low-income families work. In 2002, over 9.2 million families worked full-time but had difficulty making ends meet and more than 20 million children lived in low-income families. Not only do these families work, they work hard. Their average annual work effort is 2,500 hours, which translates to 1.2 full-time jobs.

So, who are these families? Most of us would assume they are headed by singles or young parents, since they either have only one wage-earner or their earnings are lower than that of older workers who have more advanced careers. But surprisingly, 53 percent of struggling families are headed by a married couple, and in half of these families both of the spouses work. Similarly striking is the fact that 88 percent of low-income working families have a parent between 25 and 54 years old. One might also assume that families headed by immigrants are more likely to be poor, since they face cultural and various other barriers. Wrong again--72 percent have American-born parents only.

And the surprises keep coming. Pictures and reports from economically distraught urban areas since the era of the War on Poverty have led many to believe that poor families are overwhelmingly minority. Not true. Almost half of low-income working families have only white, non-Hispanic parents; 28 percent have a Hispanic parent; and 20 percent have an African-American parent.

The bottom line: Learning the facts is of crucial importance since, unfortunately, policy is often driven by perceptions that do not reflect reality. Economic growth is supposed to reduce the number of low-income workers and their families, right? Well yes, in theory. Despite the prosperity of the 1980s and 1990s, the percentage of American families in poverty has not changed in three decades. A 2002 Boston Federal Bank study showed that during the 1990s, less than half of low wage families advanced into the middle class, fewer than those who made the transition in the 1970s. This may not



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be as surprising if you consider that a full-time job at the federal minimum wage level of \$5.15 an hour cannot keep a family of three out of poverty, and that a fifth of all jobs pay less than \$8.84 an hour, which is a poverty-level wage for a family of four.

This earnings gap between well-training, highly-educated workers and those with less education and training is ever expanding. In a global economy, education and skills pay real dividends, while those with a high school diploma education or less are unable to succeed in the labor market. Alan Greenspan, the Federal Reserve Chairman, recently said this is a structural problem "that can be and must be addressed, because I think that it's creating an increasing concentration of incomes in this country and, for a democratic society, that is not a very desirable thing to allow to happen." The costs of low wages are too widespread and severe to ignore, affecting children, families, communities, the economy, and our democracy--which means all of us.

So what can we do to improve opportunities for low-income working families? We must promote policies that reward hard work and help people move toward self-sufficiency. The Earned Income Tax Credit, a higher minimum wage, child care assistance, and benefits such as health care all help lift families out of poverty. The report highlights the practices of such companies as Costco, which pays higher wages than its competitors and offers good benefits, and is rewarded with higher worker productivity and lower turnover. Similarly, helping families invest in postsecondary education and skills training is crucial. These practices are good for employers, workers, and our economy.

But we also need strong and productive policies at the state and national levels. The federal government's commitment to millions of hard-working families has been inadequate, especially in the areas of education and skills enhancement, child care, and adequate wages (the minimum wage has not been raised since 1997). State policies and programs also are important. Financial aid for college, adult basic education, unemployment insurance, worker training, the state Earned Income Tax Credit, minimum wage laws, and medical assistance programs are among the many state policies that assist families. Colorado lags behind most other states in several key areas, including providing need-based financial aid, adult basic education, economic development assistance, unemployment insurance, and health care.

Despite these shortcomings, this wave of new data represents an important opportunity for meaningful change in perceptions, approaches, and policies. By better understanding the true characteristics of these hard-working families, we can strengthen our collective commitment to a basic American value: Hard work should pay off for everyone.

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