

Working Hard, Falling Short

**Wisconsin's
Working
Families and the
Pursuit of
Economic Security**

October 2004

Center on Wisconsin Strategy

Sources and Definitions

This policy brief summarizes the Wisconsin data found in the national report, *Working Hard, Falling Short: America's Working Families and the Pursuit of Economic Security*. The report can be accessed online at http://www.aecf.org/initiatives/jobinitiative/workingpoor/working_hard_new.pdf.

The report defines *low-income* families as those earning less than 200 percent of the federal poverty threshold in 2002. According to 2002 federal guidelines, a family of four was officially living in poverty if its annual income was less than \$18,392. Using the 200 percent gauge, that family is considered low-income if its earnings were less than \$36,784.

In the report, a family is defined as a married-couple or single-parent family with at least one child under 18 years of age. A family is considered to be a *working family* if, in the last 12 months, family members aged 15 and older show combined work effort of at least 39 weeks — or combined work effort of at least 26 weeks, plus one unemployed parent actively looking for work in the past four weeks.

A new national report, *Working Hard, Falling Short: America's Working Families and the Pursuit of Economic Security*, finds that families across the country are struggling to make ends meet. (The report is part of the Working Poor Families Project, an initiative undertaken by the Annie E. Casey Foundation to help low-income adults succeed in the labor market.)

Wisconsin, despite its strong work ethic and high rates of labor force participation, is no exception. Thousands of residents are working in jobs — as cashiers, waiters, janitors, truck drivers, child care workers, nursing home aides, and the like — that do not offer wages and benefits sufficient to support a family. In other words, many here are working hard but still struggling to pay their bills, put food on the table, or buy the medicines their families need. *In fact, more than one in five working Wisconsin families in the state are low-income.* The reality is even harsher for Wisconsin's minority working families, nearly 45 percent of whom are low-income.

In this policy brief, the Center on Wisconsin Strategy (COWS) highlights the Wisconsin findings contained in *Working Hard, Falling Short*. The data are summarized in the table (see next page). We provide information on how low-income working families in the state are doing relative to our neighbors and the rest of the nation, and evaluate the effectiveness of some of the work supports — such as employee tax credits and education and training programs — already in place to help these families make ends meet.

On some measures, Wisconsin performs relatively well. Indeed, Wisconsin ranks number one in the nation for the percent of low-income working families that have health insurance. And Wisconsin ranks in the top ten states in both the percent of jobs offering better than poverty wages¹ and the share of unemployed workers receiving Unemployment Insurance (UI).

Even strong relative performance is not always enough to protect low-income working families, however. Fully 17 percent of jobs here in Wisconsin pay less than the poverty threshold, and four in ten of the state's unemployed workers do not receive UI. In these instances, Wisconsin compares well to national standards, but these standards are insufficient to really reward and support working families.

Further, on some measures, Wisconsin performs much worse. Most notably, while Wisconsin's share of working families that are low-income (23 percent) is the 11th best in the nation, the share of minority working families that are low-income puts Wisconsin *behind* 29 other states. Fully 44 percent of minority working families endure low incomes, more than twice the rate posted by non-minority families in the state. Wisconsin consistently generates high levels of racial disparity (see the COWS report *The State of Working Wisconsin 2004* for more evidence), and this negative outcome for minority working families in the state calls for increased attention to racial inequality in Wisconsin.

Low-income families in the state are also challenged by high housing costs and Wisconsin's regressive tax structure. Nearly half of all low-income working families

¹ Jobs paying below the poverty threshold are jobs with median earnings below \$18,392 annually in 2002.

Working yet Economically Stressed: Low-Income Families in Wisconsin, U.S., and Peer States

	<i>Wis.</i>	<i>Rank</i>	<i>U.S.</i>	<i>Ind.</i>	<i>Ill.</i>	<i>Iowa</i>	<i>Mich.</i>	<i>Minn.</i>
% of Working Families that are Low-Income	22.8%	11	27.4%	26.0%	23.0%	26.9%	25.0%	18.0%
% of Jobs Paying Below Poverty Threshold	17.4	10	20.4	17.7	17.8	24.4	18.7	15.8
% of Workers Not Fully Employed	9.2	25	9.9	8.3	10.6	7.4	12.0	8.6
% of Minority Working Families that are Low-Income	43.7	30	40.9	41.2	36.0	46.5	35.3	36.7
% of Non-Minority Working Families that are Low-Income	18.9	16	20.0	23.2	15.5	25.2	22.1	15.2
% of Unemployed Not Receiving Unemployment Insurance	40.0	8	58.0	58.0	51.0	50.0	45.0	50.0
% of Low-Income Working Families with Housing more than 1/3 of Income	46.6	23	51.9	41.8	55.7	37.0	50.9	56.0
% of Income Paid by Lowest Quintile Families to State and Local Taxes	10.2	21	11.4	11.7	13.1	10.6	13.3	10.5
% of Low-Income Working Families with Parent without Health Insurance	12.4	1	36.7	28.6	33.2	25.9	30.8	22.5
% of Low-Income Working Families with Parent without HS Degree	27.6	26	34.8	31.7	34.2	16.7	22.5	22.1
State Adult Education Funds per Adult without HS/GED	\$19.78	25	\$58.99	\$44.78	\$14.88	\$50.23	\$193.55	\$124.42

in the state have housing costs that are considered “unaffordable” — that is, they require more than one third of a family’s income. In addition, these families’ resources are thinned by a tax structure that burdens them disproportionately; low-income families expend roughly ten percent of their income on state and local taxes. While this is less than the average for the region or the nation, as the table illustrates, the tax burden on families with low earnings (10.2 percent) outweighs that of top earners in the state, who pay just 8.1 percent of their income on state and local taxes.²

There are important policies that can help low-income families make ends meet, and Wisconsin has a number of them in place. For example, Wisconsin has historically maintained a very strong UI system to support workers who have lost their jobs. Today, however, fully 40 percent of unemployed workers in the state are not receiving UI benefits, indicating that we are failing to help thousands of unemployed workers and their families through tough economic times.

Working families with low wages in Wisconsin also do better when it comes to health care; in fact, as we have already mentioned, our state does the best in the country at providing these families with health insurance coverage. Still, over 12 percent of Wisconsin’s low-income working families have at least one parent who

² Center on Wisconsin Strategy, *The State of Working Wisconsin 2004*.

Myths and Facts about Low-Income Working Families in the United States

MYTH: Low-income families do not work.

FACT: 71 percent of low-income families work.

MYTH: Low-income working families do not work hard.

FACT: The average annual work effort for low-income working families is 2,500 hours — the equivalent of 1.2 full-time jobs.

MYTH: Low-income working families are headed by single parents.

FACT: 53 percent of low-income working families are headed by a married couple.

MYTH: Low-income working families are headed by immigrants.

FACT: 72 percent of low-income working families are headed by American-born parents only.

MYTH: Low-income working families have very young parents.

FACT: 88 percent of low-income working families have a parent between the ages of 25 and 54.

MYTH: Low-income working families are overwhelmingly minority.

FACT: 47 percent of low-income working families are headed by white, non-Hispanic parents only; 28 percent include a Hispanic parent, and 20 percent include an African-American parent.

Source: American Community Survey 2002, U.S. Census Bureau, cited in *Working Hard, Falling Short: America's Working Families and the Pursuit of Economic Security*.

lacks health insurance and so must pay out-of-pocket for any medical expenses incurred.

Wisconsin also helps low-income families to close the gap between their earnings and expenses by offering a refundable state Earned Income Tax Credit (EITC), which lowers taxes and offers cash back to working families at the lower end of the wage scale. Wisconsin is one of just 17 states supplementing the federal EITC with a state credit; in 2001, nearly 190,000 families claimed both the federal and state credits and received, on average, over \$2,000.³ The program provides a strong way to reward work and help families make ends meet, and its expansion could help more working families in the state.

Another way to improve outcomes for low-income working families is to help workers secure the education and training they need to succeed in today's labor market. This need is especially acute for the 28 percent of low-income working families in Wisconsin that include a parent without a high school degree (see table). According to *Working Hard, Falling Short*, high school dropouts nationally earn, on average, just \$18,900 a year, compared to \$25,900 for high school graduates and \$45,400 for workers with a college degree. Just as workers need skills, businesses

³ University of Wisconsin-Extension, *Tax Credits for Low and Moderate Income Families in Wisconsin*, accessed on the Internet at <http://www.uwex.edu/ces/econ/>

must have a skilled workforce to stay competitive. Here Wisconsin lags behind other states. Wisconsin spends less than \$20 a year in adult education funds per adult without a high school diploma; by contrast, Michigan and Minnesota spend \$193 and \$124, respectively. Building skills for low-income working adults will require increasing investment in education for them.

Another critical means of supporting low-income working families is to raise the minimum wage. And when it comes to this policy, Wisconsin lags behind another peer state — Illinois. Our neighbor to the south has joined 11 other states in adopting a minimum wage higher than the federal minimum of \$5.15 per hour. The present federal minimum (last raised in 1997) has reached its lowest real value of all time, given the constant erosion of inflation. Recognizing that Wisconsin can and should do more to support workers at the bottom end of the wage scale, Governor Doyle has proposed increasing the state's minimum wage to \$6.50 an hour by October 2005. While the Wisconsin Department of Workforce Development estimates that this would benefit 200,000 low-wage workers in the state, the legislature has blocked the governor's plan.

Raising the minimum wage is one way Wisconsin could do more to support low-income working families. Other recommendations:

- Expand the EITC
- Increase investment in and access to education and training programs
- Reduce the tax burden on low-income families
- Extend UI benefits to reach a greater number of workers in need
- Protect and strengthen programs that provide child care subsidies and health insurance coverage to families with low earnings
- Regularly assess the conditions of Wisconsin's working poor families and the impacts of the state policies deployed on their behalf

To help hardworking families in the state to achieve economic security, Wisconsin needs to expand on its successes and work hard to overcome its deficiencies, especially where our minority populations are concerned. Implementing these strategies requires the concerted effort and genuine commitment of government, business, labor, community organizations, and other concerned groups. We cannot sit idly by as thousands of residents toil away in low-paying jobs with few prospects for advancement, their families unable to get and stay ahead despite their hard work.

Center on Wisconsin Strategy

University of Wisconsin-Madison
1180 Observatory Drive
Room 7122
Madison, WI 53706

TEL: 608.263.3889

FAX: 608.262.9046

E-MAIL: cows-info@cows.org

WEBSITE: www.cows.org