

The Working Poor: Lousy Jobs or Lazy Workers?

by

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Abstract

This paper investigates the argument that the working poor are poor because they work too few hours. I find that although working additional hours reduces the chance of poverty, most of the working poor would remain in poverty even if they worked full-time and year-round, due to the low wages they receive. In addition, of those who could climb out of poverty by working year-round, many are unable to do so, due to disability, age, or involuntary terminations. This leaves very few of the working poor who could potentially escape poverty by working 40 hours per week, 52 weeks per year.

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1. Introduction

Most Americans believe that if one works hard, one should not be poor. Yet the working poor are one of the fastest growing segments of the poverty population, and their growth is expected to continue (Levitan et al., 1993; Caputo, 1991). According to the official government definition of poverty, which compares family income to a minimum standard of living, the working poor consist of between 7 to 9 million Americans. This number doubles, however, when alternative definitions of poverty are used (Schwartz and Volgy, 1992). Despite the importance of this population, there remains a substantial debate regarding why these workers are poor. A critical part of this debate is whether they are poor because they choose to work too few hours, or because the labor market fails to provide them with adequate wages and full-time, steady employment.

Schiller (1994), for example, believes that the working poor are poor simply because they do not work enough hours. If they worked full-time year-round, he argues, they would lift themselves out of poverty. Others, however, argue that the cause of the working poor is more complex -- due to inadequate jobs that fail to provide full-year or full-time work or that pay them

wages that are too low (Levitan et al., 1993). Bane and Ellwood (1991), for example, argue that even if they worked more hours, the working poor would remain poor.

The outcome of this debate is essential for policy purposes. If the working poor are poor because they choose to work too few hours, there could be little role for public policy, except to encourage them to work more hours. If, on the other hand, the working poor are working the most hours they can, but structural forces beyond their control are ushering them into poverty, government policies and support could be essential. This essay examines the evidence for whether working additional hours would reduce poverty among the working poor. The next section explains the data and the definitions used. Sections 3 and 4 present the empirical results, with conclusions and policy implications contained in section 5.

2. The Data and Methodology

The 1994 March Current Population Survey (CPS) is used for this analysis because it is the most current national data set that contains poverty and work measures as well as a large sample of the working poor. The CPS is a national data set collected by randomly sampling approximately 57,000 U.S. households. The working poor are defined as those age 18 or over who worked at

any time during the previous calendar year (in 1993) and who are poor. Poverty status is determined by using the official government poverty thresholds, which measure whether family income is adequate for a given family size. There is considerable debate about how to accurately measure poverty. Schwartz and Volgy (1992), for example, argue that those with incomes of up to 200% of the poverty threshold should be considered poor. Most researchers, however, report those who are below 100% or 125% of the poverty threshold. Because of the range of measures used, I will report those who are below 100%, below 125%, and below 150% of the official poverty line in the tables presented. In order to facilitate reading the text, however, I will often present the results using only one of these measures. When this occurs, the measure used is that below 125% of the poverty level.

Because previous research has documented the demographic characteristics of the working poor thoroughly (see for example, Levitan et al., 1993; Gardner and Herz, 1992; Castillo, 1995; Klein and Rones, 1989), I will focus upon only examining the characteristics, such as age, disability, and single-parent households with children under 6, which can limit the kind and amount of work undertaken.

3. Empirical results

Table 1A shows the characteristics of the working poor. In 1993, 12% of adults worked but were below 150% of the poverty threshold; 9% of working adults were below 125% of the poverty line. In comparison, for all adults--working and not working--27% were below 150% of the poverty line, and 21% were below 125% of the poverty threshold. (See Table 1B)

Those who were more likely to be among the working poor were those in single-parent families with young children and those who faced a layoff. Those in single-headed families with young children were four times more likely (36% compared to 9%) to be members of the working poor than were other adults. (See Table 1A) Workers who faced a layoff were slightly more likely (13% compared to 10%) to be members of the working poor than were those who were not served layoff notices.

The disabled and the elderly were less likely to be members of the working poor because they were less likely to work. When one examines poverty rates among *workers* (rather than working poor rates among the total population of workers and nonworkers), the hurdle of having a disability is more clear. Twenty-five percent of disabled workers were poor, compared to fourteen percent of able-bodied workers. (See Table 1A) In addition,

poverty rates among workers who were single heads of families with young children was huge--56% were members of the working poor. The proportion of the working poor in working single-headed families with young children is much higher (56% compared to 36%) than in the total population of such families, since many who are single heads with young children do not work for pay.

As Schiller (1994) and Murray (1987) argue, working indeed reduced the likelihood of being poor. Of those who worked at any time during 1993, 14% were still poor (See Table 1B). In comparison, 35% of the adults who did not work were poor. In addition, as Table 2 illustrates, the more hours that were worked, the fewer were the number of the poor. Of those who usually worked full-time, 8% were poor; this compares with a poverty rate of 31% for those who worked ten or fewer hours per week. Among those who worked year-round, 6% were poor; this rose to a poverty rate of 30% among those who worked 13 or fewer weeks.

On average, the working poor worked full-time (35 or more hours per week), but they did not work a full year (50 or more weeks per year). The working poor worked on average two-thirds of a full year. Although this supports Murray's (1987) and Schiller's (1994) contention that most of the working poor fail

to work full-time year-round, it does not necessarily follow that increasing the number of work hours will substantially reduce the extent of poverty. One must first examine to what extent working less than a full year contributes to the poverty of the working poor--in other words, whether the working poor would remain poor even if they worked a full-year.

Working One's Way Out of Poverty?

To estimate how the working poor would have fared if they had worked full-time year-round, I estimated "potential earnings" for each of the working poor in my sample. Potential earnings is an estimate of total earnings for each worker, assuming that he or she works 2080 hours--40 hours per week and 52 weeks per year -- at his or her current (1993) wage rate. I then added the difference between potential and actual earnings to family income, and compared this new income level with the poverty threshold for each worker's family size. Workers who were self-employed or working without pay were excluded from this analysis.

As Table 3 illustrates, even if the working poor worked 40 hours per week and 52 weeks per year, most would have remained poor. Of those who were below the official poverty threshold, 52% would have remained poor. Of those who were below 125% of this threshold, 61% would still have been poor. And of those who

were below 150% of the poverty threshold, 68% would have remained poor. Thus, slightly more than half to just under two-thirds of the working poor would have remained poor even if they worked full-time and year-round.

Why Still Poor? Most of the working poor would have remained poor even had they worked full-time year-round because of the low wages they earned. Table 3 illustrates this. Those who would have remained below 150% of the poverty level earned on average \$6.45 per hour; those who would have risen above 150% of the poverty level had they worked additional hours earned wages that averaged \$9.20 per hour.

4. Why Not Work More Hours?

Although most of the working poor would have remained poor even if they had worked full-time year-round, a fair number--32% to 48%--would have risen above poverty. It is crucial to understand why these workers failed to work more hours, since doing so would have made a significant difference in their living standards. The answer appears to be that many could not work additional hours. Of workers who were below 150% of the poverty line and who would have earned their way out of poverty had they worked full-time and year-round, over 40% were disabled, elderly, on layoff, or working involuntarily part-time. (See Table 4)

Assuming that these are valid reasons for failing to work full-time and year-round, this means that of the entire working poor population, only 19% (60% of 32%) could have risen above poverty if they had worked 40 hours per week, 52 weeks per year.

Moreover, if in addition one excuses single parent households with children younger than 6 from working additional hours, only 18% of the working poor could have risen above poverty by working full-time and year-round. (See Table 5)

Examining those at 125% of the poverty threshold shows similar results: Of those who could have earned their way out of poverty by working full-time and year-round, 42% were disabled, elderly, on layoff, or were employed involuntarily part-time. If these persons are not expected to work full-time year-round, only 23% (58% of 29%) of the entire working poor population could have earned their way out of poverty by working these hours.

Which persons should be expected to work full-time year-round is an appropriate realm for policy. Although many of the disabled and those 60 years old and older are often able to work full-time and year-round, traditionally they have not been expected to work such hours. Excluding these groups from working full-time year-round leaves 26% of the working poor who could have escaped from under 150% of the poverty level by working more

hours. Of those who were under 125% of the poverty level, 33% could have earned their way out of being a member of the working poor.

Workers who are laid off are somewhat more problematic. Certainly one can argue that those who are laid off may have been slack workers, or that they could have found another job quickly. Yet layoffs certainly reflect decisions that are often beyond a worker's control as well. The resulting consequence--of entering the ranks of the working poor--although for some may in part be voluntary, certainly contains an element of involuntariness as well. Yet those who were laid off constitute a small part of the working poor population--less than 1%. Thus excusing them or not excusing them from working year-round does not change the results substantially. If in addition to the elderly and the disabled, one excuses those who were laid off from working full-time year-round, the proportion of the working poor who could have risen above poverty if they had worked more hours remains 26% at 150% of the poverty line, 40% at 100% of the poverty line, and declines only one percentage point, to 32% (from 33%) at 125% of the poverty line. (See Table 5)

Expectations regarding how much single parents with young children should work is also less clear, since these have changed

recently. At one time, when single parents were mostly widows and were perceived as victims of misfortune (their husbands' death), they were not expected to work. In addition, because most women did not work for pay, these widows were certainly not expected to work. Today, however, single parents are expected to work, at least part-time, since most women with children are now working. In addition, because relatively fewer single-parents are widows, and relatively more have never been married, they are viewed less as victims of misfortune (from death or divorce) and more as a population consciously choosing to become single parents (Murray, 1987).

Yet whether or not one expects single parents with young children to work full-time year-round makes little difference in the results, since this population is a small percentage (3%-4%) of the working poor. If one adds these workers to those (the disabled and elderly and those who are laid-off) who are excused from working full-time and year-round, the proportion of the working poor who could have risen out of poverty if they had worked additional hours falls only one percentage point (to 25%) at 150% of the poverty line, remains 32% at 125% of the poverty line, and declines one percentage point, to 39% at 100% of the poverty line. (See Table 5)

Those who worked involuntarily part-time had the largest impact on these results. These workers either could not find full-time work, or they were working part-time due to slack work. It is possible that some of these workers could have found full-time work if they had searched harder. However, given the extraordinary growth of the contingent workforce and involuntary part-time employment (most of the growth of part-time work over the last ten years is due to growth in *involuntary* part-time workers), many of these workers were likely to have wanted full-time work but were unable to find such work because opportunities for these jobs have fallen (Tilly, 1992; Ehrenberg, Rosenberg, and Li, 1988). When those who were involuntarily working part time are added to those already excused from working full-time year-round, only 18% of those below 150%, 23% of those below 125%, and 28% of those below 100% of the poverty line could have escaped poverty by working more hours.

Thus, when taking into consideration who should be expected to work full time and year round, between 19% to 28% of the working poor could have risen above poverty had they worked full-time and year-round, assuming that the elderly, disabled, and those who were laid off or employed involuntarily part-time were unable to work these hours. Excusing single parents with young

children from also working such hours reduces the estimates of those who could work their way out of poverty to between 18% and 28% of the working poor.

It is difficult without further data to assess why the 18%-28% of the working poor who could have risen above poverty had they worked full-time year-round failed to work such hours. It is possible that many of them could not find work (Levitan et al., 1993). It is also possible that they chose not to work additional hours due to personal reasons, family responsibilities, illness, or other reasons (Murray, 1987). Unfortunately, the data do not include information on why they failed to work additional hours, and whether and for how long they were unemployed. This is an important area which should be addressed by future research.

5. Conclusion

Charles Murray asked in 1987, "Can any American who is willing to work hard make a decent living?" (Murray, 1987: 3) The answer seems to be no. Although working clearly reduces the probability of being poor, which is consistent with previous claims (Schiller, 1994; Murray, 1987), it is not a panacea. Most of the working poor would remain poor even if they worked 52 weeks out of the year, 40 hours per week. In addition, of those

who could climb out of poverty if they worked such hours, two out of five are either disabled or elderly workers, or they are unable to find full-time or full-year employment. Thus it appears that most of the working poor are doing all they can to support themselves. Only nineteen to twenty eight percent of the working poor could potentially climb out of poverty by working full-time and year-round, assuming that enough jobs are available.

This has important policy implications. Because most of the working poor are poor not because they choose to work too few hours, but because their wages are too low and their jobs fail to provide full-time and full-year employment, government policies continue to be needed. These include income supports that help the working poor through part-year and involuntarily part-time employment; education and training programs to help these workers obtain jobs that promise full-time and full-year employment; demand-side policies that can raise employment levels for low-skilled workers; tax policies, such as the Earned Income Tax Credit, which assist the working poor; and wage policies, such as the minimum wage. Rather than simply encouraging the working poor to work more hours, we need to maintain these programs, and given the growth of the working poor, expand them, in order to

alleviate poverty among workers.

Table 1A. Characteristics of the Sample--The Working Poor

	<u>Those who are below</u>		
	<u>150%</u>	<u>125%</u>	<u>100%</u>
	<u>Percent of the poverty line</u>		
Working poor population (percent of adults who worked and were poor)	12%	9%	7%
<i>Percent of the working poor...</i>			
who were disabled	7%	8%	8%
who were age 60 or older	8%	7%	7%
who faced a layoff	1%	0.5%	0.5%
who were involuntarily employed part-time	21%	22%	23%
who were single-parents with children under 6	3	4	4
<i>Percent of those who were working poor...¹</i>			
who faced a layoff	18%	13%	9%
who did not face a layoff	12%	10%	7%
who were single-parents with children under 6	40%	36%	30%
who were not single-parents with children under 6	12%	9%	7%
who were disabled	7%	5%	4%
who were not disabled	13%	10%	7%
who were elderly	3%	3%	2%
who were not elderly	15%	12%	9%

¹This table reads as follows: of adults who are disabled, 7% are among the working poor, measured at 150% of the poverty threshold.

Table 1A. Characteristics of the Sample--The Working Poor

	<u>Those who are below</u>		
	<u>150%</u>	<u>125%</u>	<u>100%</u>
	<u>Percent of the poverty line</u>		
<i>Percent of workers who were members of the working poor²</i>			
who were single-parents with children under 6	62%	56%	46%
who were not single-parents with children under 6	18%	14%	10%
who were disabled	31%	25%	19%
who were not disabled	18%	14%	10%
who were elderly	16%	12%	8%
who were not elderly	19%	14%	10%

²This table reads as follows: of adult workers who are disabled, 31% are among the working poor, measured at 150% of the poverty threshold.

Table 1B. Characteristics of the Sample--Poverty Rates

	<u>Those who are below</u>		
	<u>150%</u>	<u>125%</u>	<u>100%</u>
	<u>Percent of the poverty line</u>		
Poverty rate of all adults (those who worked and didn't work)	27%	21%	16%
Poverty rate of adults who worked	18%	14%	10%
Poverty rate of those who did not work	43%	35%	26%

Table 2. Distribution of the working poor across poverty by -
hours and weeks worked

	<u>Distribution relative to</u>			
	<u>below 100%</u>	<u>100%-124%</u>	<u>125%-149%</u>	<u>150+%</u>
<u>of the poverty threshold</u>				
<u>Usual weekly hours worked</u>				
10 or fewer	24%	8%	8%	61%
11-19 hours	23%	3	5	68
20-34 hours	15	5	5	75
35+ hours	6	3	3	89
<u>Weeks worked in 1993</u>				
13 or fewer	24%	8	8	60
14-26	22	5	3	69
27-39	20	6	5	69
40-48	13	5	6	77
49+	4	2	3	91

Table 3. Poverty status of the working poor if they had worked full-time, year round

	<u>Those who would be below</u>		
	<u>150%</u>	<u>125%</u>	<u>100%</u>
	<u>percent of the poverty line</u>		
Those who would be poor even if they worked full-time, year round	52%	61%	68%
Average wages for those who would not be poor if they worked full-time year-round	9.20	8.46	7.69
Average wages of those who would remain poor even if they worked full-time year-round	6.45	6.43	6.51

This table is interpreted as follows: of adults who were below 100% of the poverty level, if they worked full-time and year round, 52% would still be below this poverty level.

Table 4. Characteristics of the working poor who could have raised themselves above poverty if they worked full-time year-round

	<u>Those below</u>		
	<u>150%</u>	<u>125%</u>	<u>100%</u>
	<u>of the poverty threshold</u>		
Percent who are disabled	11	11	11
Percent who are elderly	11	10	8
Percent who are single-headed families with young children	1	1	2
Percent who are disabled or elderly	19	18	16
Percent who are disabled, elderly, or on layoff	20	19	18
Percent who are disabled, elderly, on layoff, or working part-time	43	42	41
Percent who are disabled, elderly, on layoff, working part-time or single-headed families with young children	43	42	42

This table is interpreted as follows: Of adult workers who were below 150% of the poverty line and could have been above poverty if they worked full-time year-round, 11% were disabled.

Table 5. Percent of the working poor who could raise themselves above poverty if they worked full-time year-round excluding certain populations of workers

	<u>Those below</u>		
	<u>150%</u>	<u>125%</u>	<u>100%</u>
	<u>of the poverty threshold</u>		
Excluding no one	32%	39	48
Excluding those who are disabled	29	35	43
Excluding those who are disabled or elderly	26	33	40
Excluding those who are disabled, elderly, or on layoff	26	32	40
Excluding those who are disabled, elderly, on layoff, or single-headed families with young kids	25	32	39
Excluding those who are disabled, elderly, on layoff, or working part-time due to slack work or lack of full-time employment or	19	23	28
Excluding those who are disabled, elderly, on layoff, single-headed families with young children or working part-time due to slack work or lack of full-time employment or	18	23	28

This table is interpreted as follows: of the working poor who were below 150% of the poverty line, 32% could have been above poverty if they had worked full-time year-round. Assuming those who were disabled could not work full-time year-round, 29% could have risen above poverty. Excluding disabled and elderly workers from working full-time, year-round, 26% could have worked their way out of poverty.

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