

# Financial Insecurity of Low-Wage Workers



The U.S. Bureau of Labor Statistics reported that the economy created 255,000 jobs in July 2016, and the national unemployment rate stood at 4.9%. The unemployment rate has fallen to its pre-recession levels and half of what it was at the height of the recession. Despite this impressive recovery, there are millions of workers employed in low-wage occupations, where most of job growth is taking place. These workers and their families are struggling to make ends meet, an indication that the benefits of this recovery are not broadly shared. (The unemployment rate includes only people who are actively looking for employment.)

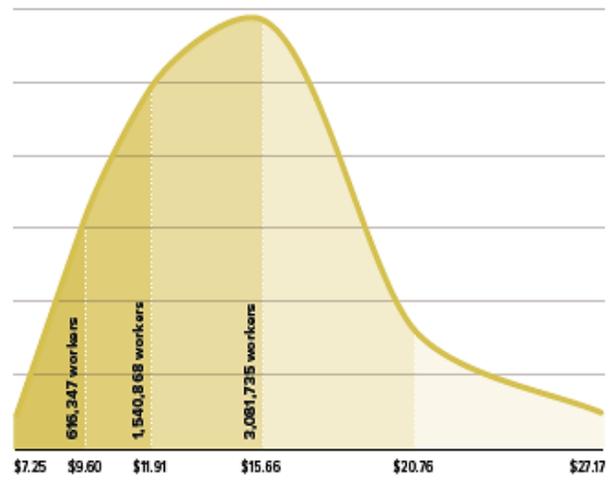
## Minimum Wage

The current federal minimum wage is \$7.25 per hour.  
A full-time minimum wage employee earns \$15,080 annually.

According to the [National Employment Law Project](#) (NELP) in [The Growing Movement for \\$15](#) (November 4, 2015), 42% of all U.S. workers make less than \$15 per hour. This wage is inadequate for workers to support themselves and their families. However, of even more concern was the information that more than half of African American workers make less than \$15 an hour. Almost 60% of Hispanic or Latino Workers earn less than \$15 per hour. Unfortunately, projections show that 60% of the occupations with these lower wages are projected to add the most jobs in coming years.

Low-wage work in the U.S. is no longer limited to fast-food industry, ever-expanding retail, and other service sector industries. Some studies reveal that manufacturing production wages now rank in the bottom half of all jobs in the United States.

Recent research by the National Employment Law Project, [Manufacturing Low Pay: Declining Wages in the Jobs That Built America's Middle Class](#) (November 2014), found that the median wage for production workers in the manufacturing industry in 2013 was \$15.66, with 25% of these workers earning \$11.91 or less.



Source: Bureau of Labor Statistics, Occupational Employment Statistics, data for NAICS Sector 31-33, All Production Occupations (51-0000), May 2013, available at <http://www.bls.gov/oes/>.

The report found that since 1989, there has been a significant increase in hiring of frontline production workers through temporary staffing agencies that have significant disadvantages for workers. Temporary staffing agencies typically have lower wages, no paid leave and have unpredictable work schedules. As a result, more workers are in unpredictable employment situations.

The increasing use of staffing agencies obscures deeper problems in manufacturing, making it difficult to track the trend of falling wages. The wages for those who work through staffing agencies may not be reported in government labor data. However, there is evidence that this practice has degraded jobs and failed to provide family-supporting jobs.

*Manufacturing Low Pay* indicates that bringing manufacturing jobs into the community suggests to many that these would be high-wage positions. While there are limited higher paying jobs, the number of lower-paying jobs is far greater, as shown in the chart that reflects the distribution of hourly wages for Manufacturing/Production Workers.

[Millions of low-wage workers in the U.S. are struggling to survive](#), a recent report by Oxfam America and the Economic Policy Institute reveals some facts about the low-wage workers in America:

- **41.7 million workers earn under \$12 an hour and 58.3 million workers earn under \$15 an hour. Of the nearly 41.7 million workers earning under \$12 an hour, roughly a third (13.0 million) are parents of dependent children.**
- **Roughly one-third of parents earning low wages are single parents, leading to particular hardships for their families**
- **Over 80 percent of low-wage private sector workers do not have earned sick time.**
- **More than half (53 percent) of black workers and 60 percent of Hispanic workers earn under \$15 an hour.**
- **Many low-wage occupations are dominated by women.**
- **Despite women representing less than half of the workforce (49 percent), they are well over half (nearly 55 percent) of those workers earning under \$12 an hour.**

## Struggling to survive and rely on use of public benefits

For many households, very little income, if any, is available after paying for necessities such as shelter, food, and transportation. Others are incessantly cutting back expenditures in an attempt to ensure necessities are covered. When these low-income households are unable to find work that pays living wages, they are forced to rely on the use of public benefits.



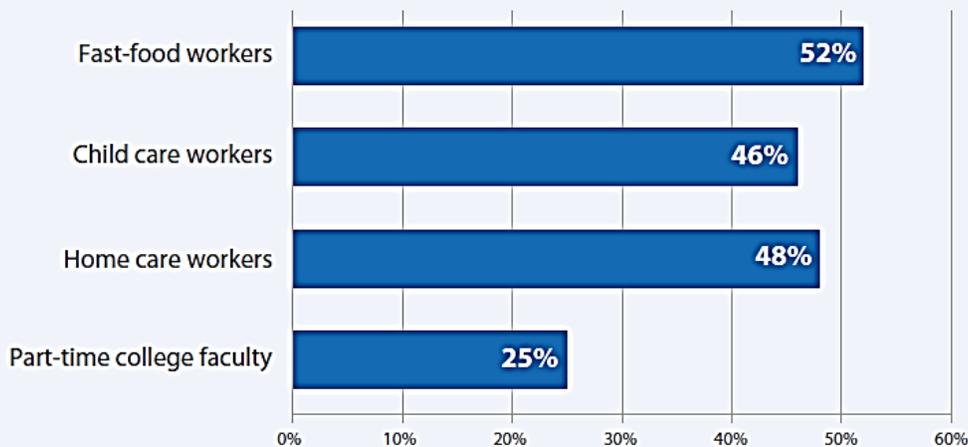
A research brief by the University of California-Berkeley Center for Labor Research and Education ([The High Public Cost of Low Wages](#)) documents that between 2009 and 2011, low wages cost U.S. taxpayers \$152.8 billion each year in public support for working families. That means that 56% of combined state and federal spending on public assistance (welfare) goes to working families.

As the chart below indicates, three of the occupations where workers have the highest utilization of these benefits are fast food workers, child care providers, and home care workers.

## Low-Wage Occupations and Public Assistance Rates

Reliance on public assistance can be found among workers in a diverse range of occupations. Three of the occupations with particularly high levels of public assistance program utilization that have been recently analyzed are front-line fast food workers,<sup>7</sup> child care providers,<sup>8</sup> and home care workers.<sup>9</sup> Each of these have at or near 50 percent of their workforce in families with at least one family member relying on a public assistance program.

However, high reliance on public assistance programs among workers isn't found only in service occupations. Fully one-quarter of part-time college faculty and their families are enrolled in at least one of the public assistance programs analyzed in this report.<sup>10</sup>



*Notes: Workers and/or their dependents were enrolled in at least one of these four programs: Medicaid/CHIP, TANF, EITC, SNAP. The home care category includes workers in two main occupations: home health aides and personal care aides.*

The [Massachusetts Institute of Technology](#) (MIT) has estimated the typical [expenses](#) for the Nashville-Davidson-Murfreesboro-Franklin Metro area, as shown in the table below. For one adult, the cost is \$21,515; for one adult and one child, the cost is \$42,780.

Annual Expenses	1 Adult	1 Adult 1 Child	1 Adult 2 Children	1 Adult 3 Children	2 Adults (One Working)	2 Adults (One Working) 1 Child	2 Adults (One Working) 2 Children	2 Adults (One Working) 3 Children	2 Adults	2 Adults 1 Child	2 Adults 2 Children	2 Adults 3 Children
Food	\$3,011	\$4,431	\$6,652	\$8,834	\$5,521	\$6,864	\$8,844	\$10,776	\$5,521	\$6,864	\$8,844	\$10,776
Child Care	\$0	\$4,055	\$5,907	\$7,759	\$0	\$0	\$0	\$0	\$0	\$4,055	\$5,907	\$7,759
Medical	\$2,317	\$6,985	\$6,786	\$6,754	\$5,334	\$6,786	\$6,754	\$6,869	\$5,334	\$6,786	\$6,754	\$6,869
Housing	\$7,277	\$10,030	\$10,030	\$13,350	\$8,316	\$10,030	\$10,030	\$13,350	\$7,277	\$10,030	\$10,030	\$13,350
Transportation	\$4,290	\$8,467	\$9,593	\$11,299	\$8,467	\$9,593	\$11,299	\$11,405	\$8,467	\$9,593	\$11,299	\$11,405
Other	\$2,146	\$3,894	\$4,682	\$5,290	\$3,894	\$4,682	\$5,290	\$5,013	\$3,894	\$4,682	\$5,290	\$5,013
Required annual income after taxes	\$19,041	\$37,861	\$43,649	\$53,286	\$31,532	\$37,955	\$42,217	\$47,413	\$30,493	\$42,010	\$48,124	\$55,172
Annual taxes	\$2,473	\$4,918	\$5,670	\$6,922	\$4,096	\$4,930	\$5,484	\$6,159	\$3,961	\$5,457	\$6,251	\$7,167
Required annual income before taxes	\$21,515	\$42,780	\$49,319	\$60,208	\$35,628	\$42,885	\$47,702	\$53,572	\$34,454	\$47,467	\$54,376	\$62,339

### Negative Impact on Children

Too many parents who are employed in low-wage jobs have no alternative but to join the workforce in order to support their families. Their low earnings make it difficult for parents to provide for their children. Many parents working in low-wage jobs often have to work multiple jobs just to make ends meet, which compromises their in-home parenting duties. At times, when parents cannot afford to pay care, children are left alone with no supervision that jeopardizes their safety and puts them at risk.

Studies show that low-wage jobs rarely provide paid leave benefits. Parents working in low-wage occupations often forego attending family needs in order to remain employed. These include parent-teacher conferences, medical appointments, or other activities that help children develop. Most low-wage jobs have fewer upward opportunities, resulting in stagnant wages as workers remain in these low-paying jobs. This exacerbates their financial instabilities, as the cost of living rises.

A study by University of Massachusetts Boston's Center for Social Policy, [How Youth Are Put At Risk by Parents' Low-Wage Jobs](#), identifies the many ways youth are affected by parent's low-wage work. According to the report, since parents cannot provide to their children necessary supports, high dropout rates among lower-income youth can be linked to parents' low-wage jobs. In addition, the health of young people in these families can be harmed by parents' low-wage work.

It is also clear when parents do not earn enough income to meet the basic needs of their household; children assume adulthood responsibilities much earlier as they are expected to contribute to the family one way or another. The study reveals that single parents, parents of color, and immigrant working parents face particularly acute work/family problems that affect their children more than the children of other parents in similar working conditions.

Research has already established that poverty alone, including wage poverty, is detrimental to children and youth. However, working poor families experience challenges in addition to material lack, particularly disruptive family schedules, unpredictable hours, parental absences, lack of career opportunities, lack of benefits and job instability. These types of hardships make it difficult for children to thrive and reach their potential.

*How Youth Are Put At Risk* suggests that:

- Because youth development and parents' low-wage work are linked, leaders in public policy and advocacy should seek opportunities to collaborate to bring attention to the institutional forces have powerful influence to help parents "provide, protect, and affect young people's opportunity and development." This would likely create significant improvements to young people from low-wage families, as well as to society in general.
- Explore policy initiatives that could improve the outcomes for children and youth, such as promoting job benefits and sick leave, more flexibility for all working parents and increasing hourly wages. In addition, develop programs and resources for children and youth (quality child care, after-school and summer programs and other opportunities for children to receive positive adult attention to support their academic progress and health).
- Examine and address the heightened demands and risks for the low-wage youth and parents who have not received adequate attention, particularly the effect of fathers and stepfathers work in low-wage jobs on children, as well as the barriers they face to all types of employment. It notes that "the lower the level of the father's financial contribution, the less time he spends taking care of and visiting children," although the low-wage work of both mothers and fathers are important areas.
- Understand and address youth concerns about safety, particularly violence, the low-income youth may experience because of parental absence, lack of resources to purchase protective alternatives for children and youth left alone. Low-income children may be particularly vulnerable to sexual abuse, violence, or neighborhood crime, especially if they are unsupervised while their parents are at work.

### **Unable to use mainstream financial services and build wealth**

After many years of stagnant wages and increasing cost of living, the income of low-wage workers is not adequate to prevent threats to their financial stability. Savings and opportunities for building

assets and wealth are beyond reach for low-wage workers that struggle to make ends meet since they earn so little, as described in [Helping Low-Wage Workers Access Work Supports](#) from MDRC.

Low-wage workers struggle to save and any emergency or unexpected financial distress would lead to deeper debt and financial instability. In fact, there are circumstances where low-income households borrow money just to supplement their income to make ends meet.

Some studies report that low-wage workers do not use banking relationships, as they perceive that these financial products are too expensive and take too much time to secure. However, in order to meet their needs, struggling low-wage workers turn to alternative predatory lending practices, such as payday loans.



Struggling low-wage workers' inability to save, use banking relationships, and failure to build assets would prevent them from getting ahead and pursuing opportunities for mobility. Evidence shows that properly designed job training and work supports show promising ability to substantially boost incomes of low-wage workers, and prevent financial instability.

Work supports include child care subsidies, SNAP benefits, disability benefits, housing subsidies, public health insurance, tax subsidies, and other related programs. The amount of added income to low-wage workers' earnings would allow them to save and prepare them to weather any unexpected financial distress and build assets for long-term financial stability.

An Oxfam survey, described in [Hard Work, Hard Lives](#), describes the lives of low wage workers (currently or recently employed by a job paying less than \$14 per hour, unemployed and looking for work, and not students). It explained that while American's working poor generally have a strong work ethic, put in long hours and believe hard work can pay off, millions are trapped in low-paying jobs that leave them with "little hope for economic mobility."

The survey also found that:

- Low-wage workers can barely meet their month to month expenses
- Worry about meeting their family's basic needs
- Often resort to loans from family, friends, credit cards, pawn shops, payday loans and government programs just to get by
- Those who struggle the most are the most vulnerable – single parents, women and those earning less than \$10 per hour

- Low-wage workers expect that the government has a responsibility to see that hard workers do not go hungry or live in poverty
- Low-wage workers think governmental policy favors the wealthy, rather than help the poor get ahead
- Low-wage workers want policies to help the poor (raising the minimum wage, child care subsidies, expanded EITC and making training/education more affordable)

**The immediate situation for the working poor is dismal.**

**And the future looks no better, as most new jobs being created are low-wage, benefit-poor jobs.**

**The long-term consequences for American society and the economy are dire: growing numbers of people working at unsustainable, poverty-wage jobs, and unable to get ahead or invest in their children's future.**

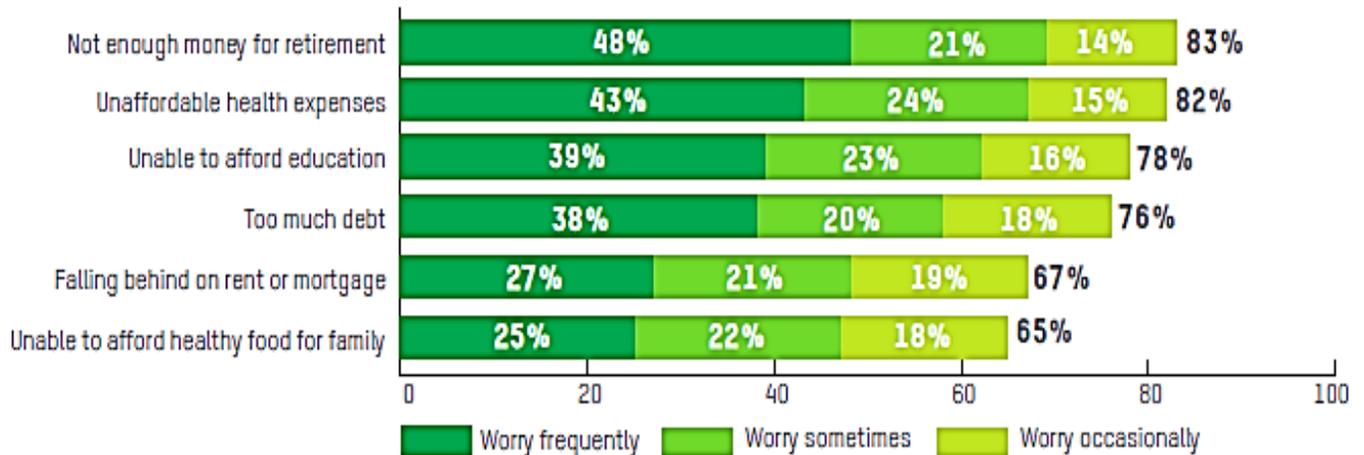
*[Hard Work, Hard Lives](#)*

The only common denominator among low-wage workers is the low pay. Otherwise, there is great diversity in terms of their families, their efforts, their ages and their educational level. *Hard Work, Hard Lives* also explains that about ¼ of American workers are in low-wage jobs, with more than 33 million making less than \$10 per hour. Among people who make less than \$10 per hour:

- The average age is 35
- 55% are women
- 23% are Hispanic/Latino, compared to 17% in the general population
- 14% are Black or African American, compared to 13% in the general population
- 57% are white, compared to 63% in the general population
- 10% have four-year college educations, compared to 24% in the general population
- 33% have completed some college, compared to 52% of the general population

Survey participants describe their circumstances as “a precarious financial existence in which any financial setback could mean the difference between barely scraping by and falling off the cliff.” Despite their economic hardships, participants hope their hard work will eventually pay off, especially for the benefit of their children.

The graphic below shows the percentage of respondents who express concerns/worry about their financial challenges. Most respondents indicated that they worry about all of these economic challenges at least occasionally.



When survey respondents were asked how they would spend the money if they could make an additional \$2 per hour, the most frequent answer was “Pay off debt.”

