

SPECIAL REPORT

Boom, Bust, and Beyond:

THE STATE OF WORKING CALIFORNIA

Working, But Poor:

California's Working

Families that Fail

to Make Ends Meet

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Working, But Poor: California's Working Families that Fail to Make Ends Meet

This paper is part of a series complementing the CBP publication, Boom, Bust, and Beyond: The State of Working California. Working, But Poor investigates trends and characteristics of California families that live below 200 percent of the federal poverty level (FPL) despite significant work effort.

How Many Families Are Poor Despite Work?

Nearly two million California families were poor in 2001 despite having at least one worker (Figure 1). (We use the term “poor” to indicate those with family incomes below twice the federal poverty level.)¹ In fact, the number of working poor families remained steady at approximately 1.8

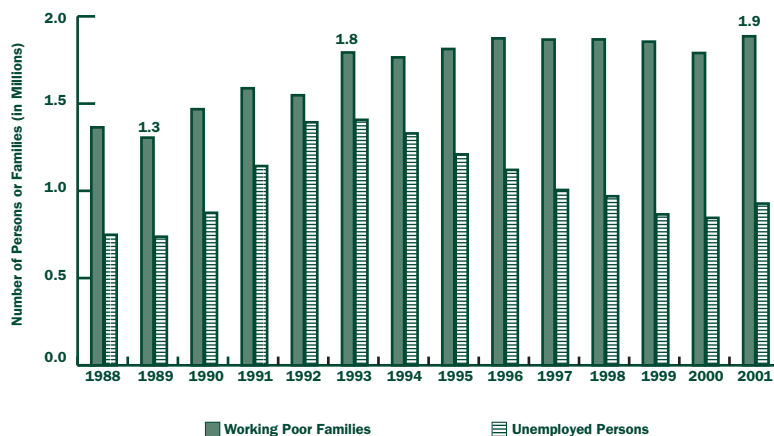
million throughout the late 1990s and 2000, despite the strong economy in which unemployment rates reached their lowest levels in decades. The number of working poor reached a new high of 1.9 million in 2001, the year that the national recession began and the number of unemployed began to increase in California.

The number of working poor

families rose sharply after the peak of the last economic cycle, from 1.3 million in 1989 to 1.8 million in 1993. This increase corresponds with the recession of the early 1990s in California. However, after the economy began to recover, the number of working poor families did not decline. In fact, the number of working poor families continued to climb through 1996, although unsteadily and at a slower pace, as unemployment dropped.

How is it that the number of working poor families increase during years of economic weakness yet did not decline when the economy was strong and poverty rates fell? The reason is complex, but two trends are indicative. First, the participation of single mothers in the workforce increased substantially since the federal welfare reform law was enacted in 1996, increasing the size of the low-wage workforce. Second, the transition from a goods-based toward a service-based economy in California has created many low paying jobs.

Figure 1: Number of Working Poor Reaches High in 2001



Note: Working poor families include only those with incomes of up to 200 percent of the federal poverty level, at least one adult between the ages of 25 and 64, and at least one adult without an illness or disability that prevents him or her from working.

Source: Employment Development Department and CBP analysis of Current Population Survey data

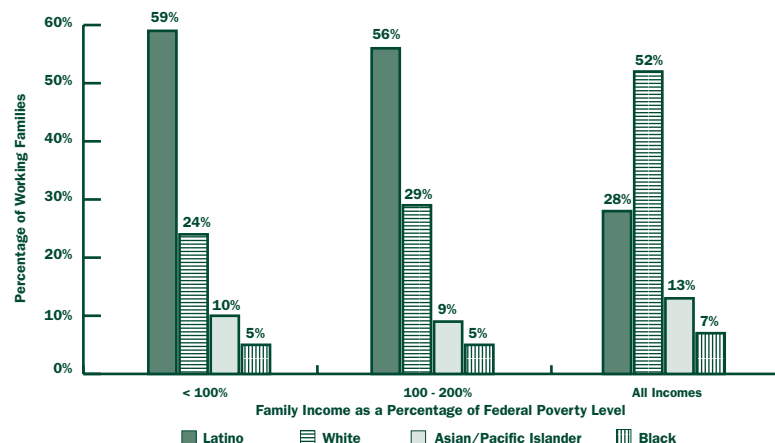
¹ See Data Notes section for definitions. Income data for 2001 are reported in the 2002 Current Population Survey and are the latest income data available.

Who Are the Working Poor?

The working poor include families of all races, education levels, and family structures. That said, the working poor are more likely to be Latino, have at least one adult who is not a citizen, and have lower levels of education. Nearly three in five working poor families are headed by a Latino (Figure 2). In contrast, just over one in four (28 percent) working families of all income levels are headed by a Latino. Conversely, working poor families are much less likely to be headed by a white adult. Asian- and black-headed working families are not disproportionately represented among the working poor.²

Low levels of education also help explain who is working, but poor.

Figure 2: Working Poor Families Are More Likely to Be Latino



Note: Includes only working families with at least one adult between the ages of 25 and 64 and at least one adult without an illness or disability that prevents him or her from working.

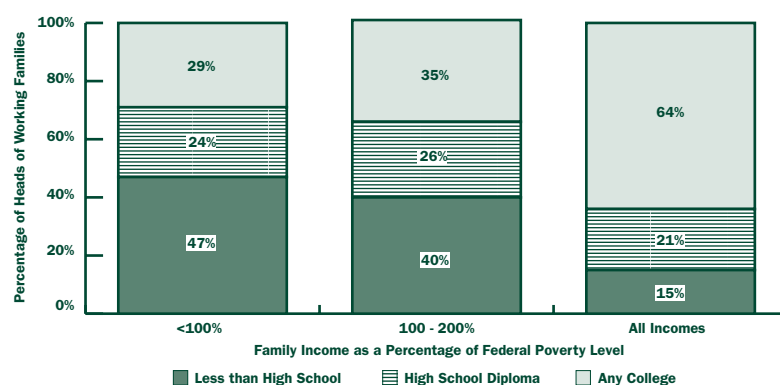
Source: CBP analysis of Current Population Survey data

Nearly half of working families with incomes below the poverty level are headed by an adult with less than a high school education, compared to

15 percent of all working families (Figure 3). Approximately one of every three heads of working poor families have any college experience, in comparison to 64 percent of the heads of all working families.

Families with non-citizen adults are also disproportionately represented among the working poor (Figure 4). Three in five of working families (59 percent) with incomes below the FPL and half of working families (48 percent) with incomes between 100 and 200 percent of the FPL include at least one non-citizen adult. In contrast, only one in four (24 percent) working families of all income levels include non-citizen adults. This pattern reflects the fact that recent immigrants are more likely to be poor than are

Figure 3: Heads of Working Poor Families Have Lower Educational Attainment



Note: Includes only working families with at least one adult between the ages of 25 and 64 and at least one adult without an illness or disability that prevents him or her from working.

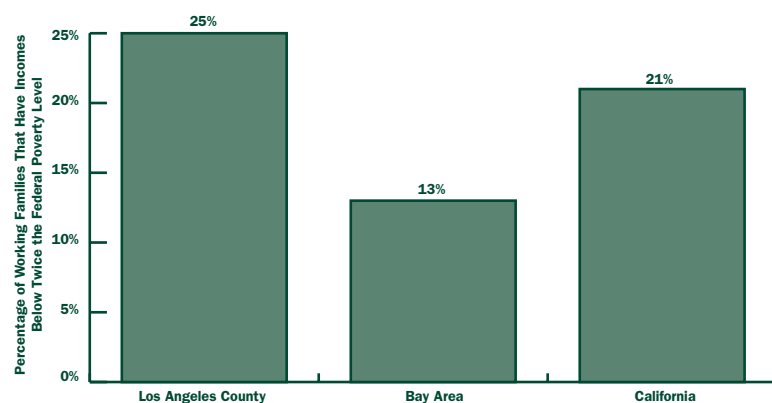
Source: CBP analysis of Current Population Survey data

² The four racial and ethnic types discussed here are mutually exclusive. Asians include Pacific Islanders; “black” is the term used by the Census Bureau and includes African-Americans.

native workers or immigrants who have been in the US for a long period.³

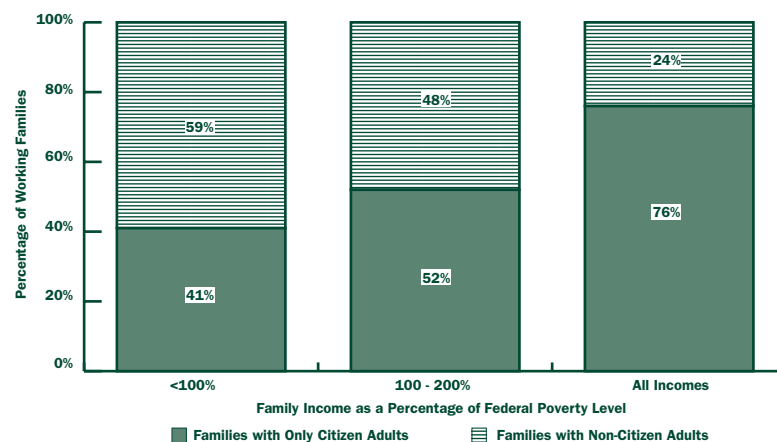
Working poor families are not evenly distributed across the state. In fact, working families in Los Angeles County are nearly twice as likely to be poor as those in the Bay Area (Figure 5). One in four working families (25 percent) in Los Angeles are poor, as compared to 13 percent of working families in the Bay Area. This pattern in part reflects higher poverty in Los Angeles; the poverty rate was 13 percent in Los Angeles metropolitan area in 2001, as compared to 7 percent in the San Francisco metropolitan area.⁴ Statewide, approximately one in five (21 percent) of working families are poor.

Figure 5: Working Families in Los Angeles Are More Likely to Be Poor



Note: Includes only working families with at least one adult between the ages of 25 and 64 and at least one adult without an illness or disability that prevents him or her from working.
Source: CBP analysis of Current Population Survey data

Figure 4: Working Poor Families More Likely to Have Non-Citizen Adults



Note: Includes only working families with at least one adult between the ages of 25 and 64 and at least one adult without an illness or disability that prevents him or her from working.
Source: CBP analysis of Current Population Survey data

Working poor families are fairly similar to working families of all income levels in terms of family structure (Figure 6). Just over half

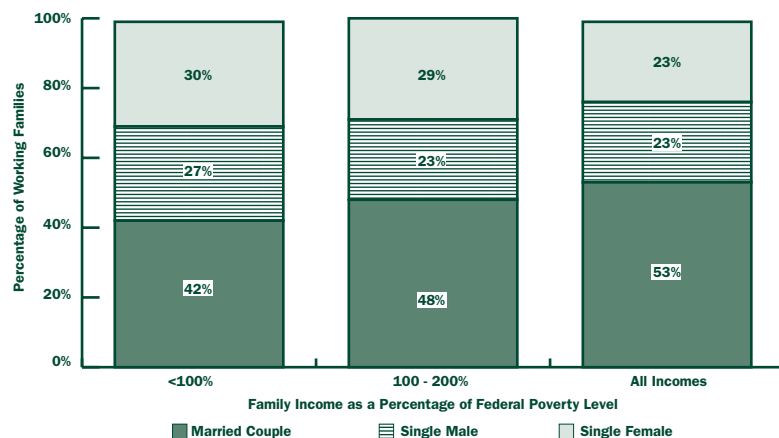
(53 percent) of all working families are headed by married couples, as compared to just less than half (48 percent) of working families with incomes between 100 and 200 percent of the FPL and 42 percent of working families with incomes below the FPL.

Welfare reform has contributed to the increase in the number of working poor. As welfare recipients continue to make the transition from the welfare rolls to the workforce, the “welfare poor” segment of the population has shrunk and the number of “working poor” families has increased. An indication of this process is the increased work effort among welfare recipients. Less than a third (31 percent) of California’s

³ Dowell Myers, “California Immigration: From New to Settled,” Presentation at *Census 2000: Growing Together or Apart? Population Trends and Their Implications for Cities and Metropolitan Areas* (UC Berkeley, November 1, 2002).

⁴ The San Francisco consolidated metropolitan statistical area, as defined by the Census Bureau, includes Alameda, Marin, San Francisco, Santa Clara and San Mateo Counties. http://ferret.bls.census.gov/macro/032002/pov/new25_001.htm.

Figure 6: Many Working Poor Families Are Headed by Married Couples



Note: Includes only working families with at least one adult between the ages of 25 and 64 and at least one adult without an illness or disability that prevents him or her from working.

Source: CBP analysis of Current Population Survey data

welfare recipients worked while receiving cash assistance payments in the three years prior to welfare reform (1993 to 1995). This figure rose to nearly half (48 percent) between 1999 and 2001. The influx of welfare recipients into the labor force may have contributed to a widening wage gap between California's low-wage female and male workers. The gap declined considerably between 1989 and 1996, but widened after passage of the 1996 federal welfare reform law.⁵

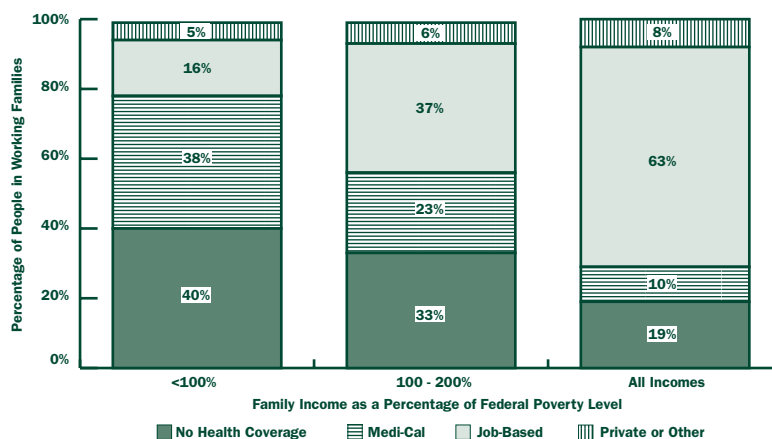
Working Poor Families Often Have No Health Coverage

Working poor Californians often have no health coverage, despite significant work effort. Two in five (40 percent) of Californians in

working families with incomes below the poverty level have no health coverage, more than twice the level for people in working families of all

income levels (19 percent, Figure 7). This difference reflects a far lower percentage of Californians in working families with incomes below the federal poverty level that have job-based coverage (16 percent) than those in working families of all income levels (63 percent). A higher rate of Medi-Cal coverage among the working poor partially offsets this disparity. One-third (33 percent) of people in working families with incomes between 100 and 200 percent of the FPL have no health coverage, reflecting a higher rate of job-based coverage and a lower rate of Medi-Cal coverage, as compared to people in working families with incomes below the poverty level.

Figure 7: More Than One in Three People in Working Poor Families Have No Health Coverage

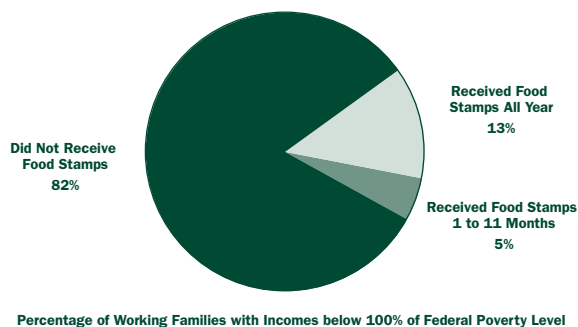


Note: Includes only working families with at least one adult between the ages of 25 and 64 and at least one adult without an illness or disability that prevents him or her from working.

Source: CBP analysis of Current Population Survey data

⁵ California Budget Project, *Boom, Bust, and Beyond: The State of Working California* (January 2003).

Figure 8: Vast Majority of Working Poor Families Do Not Receive Food Stamps



Note: Includes only working families with at least one adult between the ages of 25 and 64 and at least one adult without an illness or disability that prevents him or her from working.

Source: CBP analysis of Current Population Survey data

The great majority of working families with incomes below the FPL do not report receiving food stamps, despite having incomes below the eligibility threshold.⁶ Fewer than one in seven (13 percent) receive food stamps year-round, and another 5 percent receive food stamps for part of the year (Figure 8). In contrast, national research indicates that approximately half of eligible households receive food stamps in California.⁷ Eligible families with working adults have lower participation rates than do families without a worker.⁸

How Can Families Work and Still Be Poor?

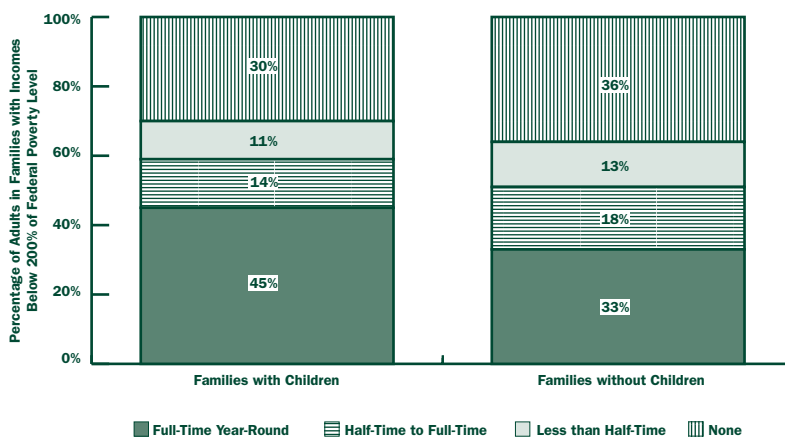
Employment is not necessarily a ticket out of poverty. Many California working families struggle to make ends meet because of low wages, jobs that do not offer full-time work

schedules, or an inability to work year-round, either because of non-permanent or seasonal jobs (including jobs in tourism and agricultural industries) or because of inadequate child care or other family needs. Over

half of adults in all poor families work at least half-time (Figure 9). Among families with children, nearly half (45 percent) of adults work full-time. Approximately one-third of adults, including stay-at-home parents, do not work.

Among families with incomes below the FPL, nearly one in five adults (18 percent) work in agriculture, as compared to 3 percent of adults in working families of all income levels (Figure 10). Adults in working poor families are more often employed in retail trade and non-professional service industries, which tend to pay low wages, than adults in working families of all incomes.⁹ In

Figure 9: How Much Do Adults in Poor Families Work?



Note: Includes only families with at least one adult between the ages of 25 and 64 and at least one adult without an illness or disability that prevents him or her from working. A full-time year-round worker reports working at least 1750 hours per year (50 weeks x 35 hours), and a half-time worker works at least 1040 hours (52 weeks x 20 hours).

Source: CBP analysis of Current Population Survey data

⁶ The gross income threshold for food stamps is 130 percent of the federal poverty level.

⁷ US Department of Agriculture Food and Nutrition Service, *Reaching Those in Need: State Food Stamp Participation Rates in 2000* (December 2002).

⁸ Karen Cunningham, *Trends in Food Stamp Program Participation Rates: 1994 to 2000, Final Report* (Mathematica Policy Research, Inc., June 2002).

⁹ Non-professional service industries include private household, repair, personal, and entertainment services.

Figure 10: Working Poor Concentrated in Agriculture, Retail Trade, and Services



Note: Includes only working families with at least one adult between the ages of 25 and 64 and at least one adult without an illness or disability that prevents him or her from working. "Other" includes construction; mining; transportation and public utilities; wholesale trade; finance, insurance, and real estate; forestry and fisheries; and public administration.

Source: CBP analysis of Current Population Survey data

contrast, fewer adults in working poor families are employed in manufacturing and professional service industries.

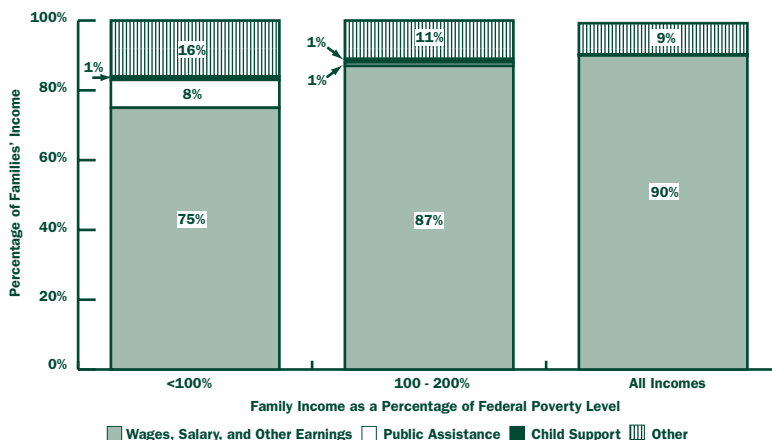
Poor families derive the great majority of their income from work despite being concentrated in relatively low paying industries. Families with incomes below the poverty level receive 75 percent of their income from work, and families with incomes between 100 and 200 percent of the FPL receive 87 percent of their income from work (Figure 11). In comparison, families of all income levels receive 90 percent of their income from work.¹⁰

Data Notes

This report defines working families as those with a half-time worker (or equivalent).¹¹ This definition of

"working" permits analysis of families with a significant connection to the workforce. In addition, this report uses the Census Bureau's definition of full-time work: the equivalent of at least 35 hours of work per week for at least 50 weeks per year. Finally, unless otherwise noted, only families with at least one adult between the age of 25 and 64 and at least one adult who is not prevented from working by illness or disability are included in this report. Families include single adults, married couples, and parents with children. These definitions allow the analysis to focus on families with adults in their prime working years, without significant impediments to work.

Figure 11: Even Poorest Families Receive Vast Majority of Income from Work



Note: Includes only families with at least one adult between the ages of 25 and 64 and at least one adult without an illness or disability that prevents him or her from working. Other income includes unemployment compensation, workers compensation, disability payments, social security, veterans benefits, survivors benefits, dividends, interest, alimony, and financial aid.

Source: CBP analysis of Current Population Survey data

¹⁰ Other sources of income include public assistance, child support, alimony, unemployment compensation, workers compensation, social security, supplemental security income (SSI), veterans benefits, survivors benefits, disability income, retirement income, interest, dividends, rent, education income, and financial assistance.

¹¹ This analysis combines the work effort of the head of household and the spouse, if present. The total work hours of head of household and the spouse must be at least 1040 hours for the family to be considered "working."

David Carroll prepared this report. The California Budget Project (CBP) was founded in 1994 to provide Californians with a source of timely, objective, and accessible expertise on state fiscal and economic policy issues. The CBP engages in independent fiscal and policy analysis and public education with the goal of improving public policies affecting the economic and social well-being of low- and middle-income Californians. Support for this series is provided by grants from the Rosenberg and Women's Foundations. General operating support for the California Budget Project is provided by foundation grants, individual donations, and subscriptions. Please visit the CBP web site at www.cbp.org.

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