

# **HARDSHIPS IN AMERICA**

**The Real Story of Working Families**

Heather Boushey  
Chauna Brocht  
Bethney Gundersen  
Jared Bernstein

ECONOMIC POLICY INSTITUTE

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of Working Families

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ECONOMIC POLICY INSTITUTE  
1660 L Street NW, Suite 1200  
Washington, DC 20036

<http://epinet.org>

ISBN: 0-944826-95-4

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# Acknowledgments

We would like to thank the many people who provided insightful comments on this report, including Gregory Acs, Kurt Bauman, Sondra Beverly, Marcia Meyers, Bill Spriggs, Fasaha Traylor, and Eileen Appelbaum. We would also like to thank Matthew Walters, Jennifer Lake, and Danielle Gao for their assistance on the project and this report, Patrick Watson for overseeing its editing and publication, and Tom Kiley for helping to ensure a wide audience for its findings.

*This project was funded by the Foundation for Child Development.*

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# Executive summary

Policy makers in the United States have adopted the view that work is the solution to poverty, and the government's role is to promote employment rather than provide income support for poor families. For many families, however, work may not be enough to ensure a decent standard of living.

This report estimates the number of families who are not making ends meet. We examine the cost of living in every U.S. community and determine basic family budgets for various family types in each one. In all, over 400 separate basic family budgets for six family types are generated. We then count the number of working families in each state whose incomes fall below these basic budgets. Next we examine the hardships these families experience. Finally, we explore how the U.S. can create a social safety net that recognizes that work is not always enough to help families meet their basic needs.

The federal poverty line is traditionally used to measure whether families have incomes too low to enable them to meet basic needs. Yet most researchers now agree that a "poverty line" income is not sufficient to support most working families. "Basic family budgets," individualized for communities nationwide and for type of family, offer a realistic measure of how much income it takes for a safe and decent standard of living. In this report we focus on a subset of families: those with one or two adults and one to three children under 12. Among these kinds of families, we find:

- basic family budgets for a two-parent, two-child family range from \$27,005 a year to \$52,114, depending on the community. The national median is \$33,511, roughly twice the poverty line of \$17,463 for a family that size;
- nationally, 29% of families with one to three children under 12 fell below basic family budget levels for their communities in the late 1990s;
- over two-and-a-half-times as many families fall below family budget levels as fall below the official poverty line.

Families headed by single parents, young workers, minority workers, or workers with less than a high school degree are more likely to struggle to make ends meet. However, families not typically thought of as needy are also

struggling. Of families with incomes below basic budget levels, half include a parent who works full time; nearly 60% are two-parent families. More than three-quarters are headed by a worker with a high school degree or more, and nearly half are headed by a worker over age 30. About one-third live in the suburbs, one-third in cities, and one-third in rural areas.

In examining the difficulties families face, we distinguish between two types of hardships. *Critical hardships* arise from the inability to meet basic needs such as food, housing, or medical care. Serious hardships arise when families can't afford preventive medical care, quality child care, or safe and affordable housing. Families that fall below basic family budget levels often lack the income needed to support a safe and decent living standard.

Using twice the national poverty line as a national proxy for the basic family budget, we found that in 1996:

- nearly 30% of families with incomes below twice the poverty line faced at least one critical hardship such as missing meals, being evicted from their housing, having their utilities disconnected, doubling up on housing, or not having access to needed medical care;
- over 72% of such families had at least one serious hardship, such as worries about food, missed rent or mortgage payments, reliance on the emergency room as the main source of medical care, or inadequate child care arrangements;
- families with incomes below the basic family budget level faced nearly the same incidence of critical and serious hardships as those with incomes below the poverty line.

We found that families at all income levels are struggling to meet their health care and child care needs. Families lacking private health insurance experience a variety of hardships. For example, families without health insurance are over twice as likely to miss meals and not pay their rent, mortgage, or utility bills as are other families with the same income, regardless of the amount of income they have.

Helping working families meet their basic needs requires a two-pronged approach. First, raising the minimum wage, removing barriers to unionizing, expanding the Earned Income Tax Credit, adopting pay equity policies, and increasing workforce development will increase family incomes. Second, investing in a social safety net of universal programs will help families meet basic needs.

The research reported here documents that families with incomes above the poverty line but below basic family budget levels experience as many hardships as poor families. Thus, policy solutions must be directed toward these families as well. Moreover, the market has priced basic items such as health care, child care, and housing above what many families can afford. It will take a social safety net to truly help families make ends meet.

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# Introduction

Policy makers in the United States have moved toward the conclusion that work is the solution to poverty. In this scenario, the government's role is to promote employment rather than provide income support for families. Recent policy changes, most importantly the welfare reform bill of 1996, embody this philosophy. In that legislation, Congress transformed welfare for poor families from a cash assistance program to one that is time limited and requires work from most recipients. But work may not offer the entire solution to poverty. Many families may not be able to make ends meet with only their wages to rely on even if they live above the official poverty threshold.

Researchers around the United States have begun to challenge the notion that work alone is the solution to poverty by asking the question, how much does a family need to earn in order to make ends meet? Researchers have also been documenting the kinds of hardships that poor and near-poor families experience. Looking at hardship measures reveals what happens to families that do not have enough income to meet their basic family budgets. Both of these strands of research point toward the kinds of policies that will enable working families to meet their basic needs without experiencing critical or serious hardships.

The first section of this report builds upon the concept of basic family budgets to determine the number of working families with incomes too low for a safe and decent living standard. These budgets, which calculate the costs for every major expense item, including housing, child care, health care, food, transportation, and taxes, reflect realistic costs faced by families. Using a consistent methodology, this report develops over 400 budgets covering six family types in every community in the U.S. Using the Current Population Survey, it then counts the number of families who fall below basic family budget levels and distinguishes between these families and families that fall below the official poverty line.

The findings in this report confirm what other researchers have found: many families do not meet their basic family budget. Twenty-nine percent of all families with one to two adults and one to three children under 12 have incomes below family budget levels. Families headed by single parents, young

workers, minority workers, workers with less than a high school education, or less than full-time workers were more likely than other families to struggle to make ends meet. However, large majorities of families that are not typically thought of as the most needy, such as two-parent families, white families, families with a worker with a high school education or more, families with at least one full-time worker, and families headed by a worker over 30, were also struggling to get by.

The second section of this report uses “hardship measures” to specify the nature and level of material deprivation for families whose incomes falls below family budget levels. This analysis builds on previous research that documents the extent to which families experience hardships, but it expands the notion of hardships beyond those contemplated by the current research to include the goods and services that families need to help them make ends meet and balance their responsibilities as workers and parents. It distinguishes between two types of hardships. *Critical hardships* arise from the inability to meet basic needs, such as food, housing, or medical care. This kind of hardship indicates that a family’s income level cannot support basic needs critical for survival. Working families suffer less critical but *serious hardships* when they lack the goods and services necessary to support a safe and decent standard of living. Serious hardships include lack of access to regular, preventive medical care; lack of accessible and quality child care; lack of affordable and stable housing; and worries about food.

Our findings confirm that the family budget levels are meaningful because families that fall below 200% of poverty (roughly equivalent to family budget levels) experience relatively high rates of critical and serious hardships. Indeed, critical and serious hardships are found not only among the poor. The near-poor (families between poverty and twice the poverty level) had similar rates of hardship as the poor. Families with incomes less than twice the poverty level had far more hardships than families with higher incomes, but even some families with incomes above twice the poverty threshold experienced hardships. Further, working full time does not necessarily insulate families from experiencing hardships.

The final section of this report identifies policies that expand the social safety net to help families meet basic needs. While policies that raise family incomes are crucial, there are other ways that the federal government can help ensure that families’ needs are being met. If work were the only solution to poverty, then workers would not fall below family budget levels. Yet they do and, as a result, experience hardships. High-quality child care, access to quality, preventative health care, affordable housing, and safe transportation are currently out of reach for many families. The high cost of these goods and services necessary to the capacity to work results in many families falling short on meeting their food and other survival needs. A strengthened social safety net would alleviate these hardships and help working families make ends meet.